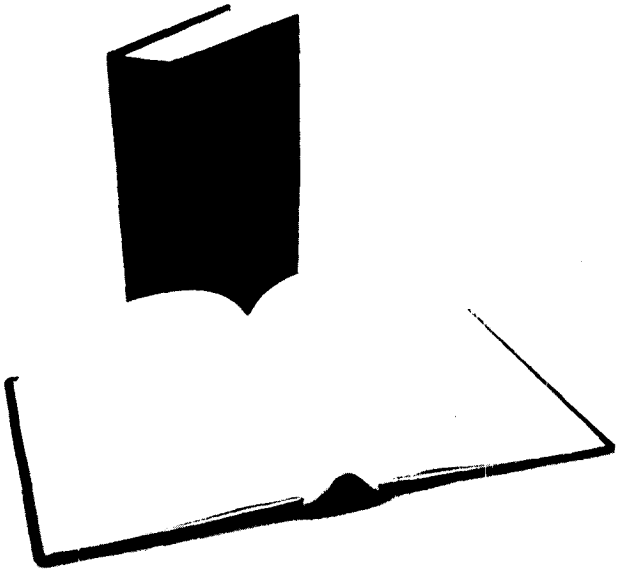
# the Freeman

Ideas on Liberty

JUNE 1984

Freedom and Democracy

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



# the Freeman 1983

## 12 Issues in One Bound Volume

**Only $7.50**

Attractively sewn in a single volume with hard cover, the twelve issues from January through December—768 pages, fully indexed for handy reference to the latest literature on freedom.

Also available, the bound volumes for 1968 through 1982, each year $7.50 ($6.00 each on orders for five or more.)

Order from **The Foundation for Economic Education**
Irvington-on-Hudson, New York 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman
VOL. 34, NO. 6 • JUNE 1984

**Private Ownership—**
**A Page on Freedom, No. 7** **Robert G. Anderson** **323**
Ownership relates to self-control and freedom.

**Capitalism versus Comte** **Ernest G. Ross** **324**
Different ways of viewing "altruism" and "sacrifice" and the market.

**Freedom and Democracy** **John Hospers** **331**
A philosophical study of the uses and abuses of democracy.

**The Davis-Bacon Act** **Hans F. Sennholz** **345**
Tracing the beginning of minimum wages in 1931 in the construction industry.

**George Wythe of Williamsburg** **Robert A. Peterson** **352**
"Teacher of Liberty" and "The Father of American Jurisprudence."

**The Increasing Abundance of Resources** **David Osterfeld** **360**
A more hopeful view of the prospects for plentiful resources in a market economy.

**Book Reviews:** **378**
"Behind Enemy Lines" by Mickey Edwards
"From Bretton Woods to World Inflation: A Study of Causes and Consequences" by Henry Hazlitt

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

# the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

**FOUNDATION FOR ECONOMIC EDUCATION**

***Irvington-on-Hudson, N.Y. 10533*** **Tel: (914) 591-7230**



*Managing Editor:* Paul L. Poirot
*Production Editors:* Beth A. Hoffman
Amy S. VanLaar
*Contributing Editors:* Robert G. Anderson
Howard Baetjer Jr.
Bettina Bien Greaves
Edmund A. Opitz (Book Reviews)
Brian Summers



THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

The costs of Foundation projects and services are met through donations. Total expenses average $18.00 a year per person on the mailing list. Donations are invited in any amount. THE FREEMAN is available to any interested person in the United States for the asking. For foreign delivery, a donation is required sufficient to cover direct mailing cost of $10.00 a year.



Copyright, 1984. The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid: single copy $1.00; 10 or more, 50 cents each.

THE FREEMAN is available on microfilm from University Microfilms International, 300 North Zeeb Road, Ann Arbor, Mich. 48106.

Reprints are available of "A Page on Freedom," small quantities, no charge; 100 or more, 5 cents each.

Permission is granted to reprint any article in this issue, with appropriate credit.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

# Private Ownership

THE attributes of individual responsibility, initiative and respect for others are not basic conditions of our nature but, instead, are characteristics which will evolve wherever private property concepts have been established.

When a legal system is structured to safeguard the private ownership of property and there prevails a set of values based on the sovereign rights of individuals, a market economy inevitably results.

This market process reflects both voluntarism and social cooperation in human affairs. It is the course of conduct followed by individuals with a right to possess property and the confidence that their transactions will be respected.

Choice in the use of one's labor and the products of such labor is not an end in itself. Nor is such freedom of choice an ideological issue to be accepted or rejected by mere whim or fancy. Private property rights are a fundamental and necessary condition if people are to be prosperous and free.

Private ownership induces an attitude of stewardship. Responsibility for self, as well as respect for property, caring for property, and the further creation of property, are all vital aspects of private ownership.

Most important of all, however, is the proprietary characteristic which follows from control over property. For without private ownership of property, individual freedom of choice can have no meaning. Ownership establishes control, and it is from the power of such self-control that comes the sovereignty and dignity of the individual.

Without private ownership, freedom is hollow and meaningless.

*—Robert G. Anderson*

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ernest G. Ross

# CAPITALISM versus COMTE

If you ask the man in the street what "altruism" means, he's likely to tell you that it's the same thing as good will. Altruism, in the American vernacular, is taken as a virtue—as a charitable worldview toward one's fellow men, as a generalized inner "standing order" to treat other people with respect and consideration.

As most citizens of most cultures do, Americans "absorb" their worldview from those around them—their parents, their teachers, their friends, their business acquaintances, and even from the media and politicians (although these latter two groups tend to fare badly in public opinion polls). Americans doubtless acquire their view of altruism in the same way. After all, the U.S. cultural melting pot is a benevolent one; it does not produce much hostility between citizens. We grow up in this nation willing to give the other fellow the benefit of the doubt that he is decent and deserving of good will—unless he proves himself otherwise by violating our rights through coercion or deception.

Given these conditions, given the wonderfully generous outlook with which he matures, it would probably surprise our average citizen to find that there is another meaning to the word altruism—a meaning which conflicts with his vernacular understanding and undercuts the essentials of capitalism which bring him so much joy, opportunity, and prosperity. He would be shocked to find that for many of our intellectual

Mr. Ross is an Oregon commentator and writer especially concerned with new developments in human freedom.



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"leaders," altruism represents a concept used for attacking and destroying the essentials of a free society, including its economics.

How would we explain this situation to the layman? Given its sweeping scope, it would be best to start with a little historical background.

### The Secular Outlook of the Followers of Immanuel Kant

Few today realize that altruism—as a philosophical principle—was an offshoot of the followers of the German thinker, Immanuel Kant, as they attempted to build an entirely secular outlook on the world. As Leonard Peikoff reports: "The result was a new moral creed, which swept the romanticist circles of Europe from the time of the first post-Kantians, and which continues to rule Western intellectuals to the present day. The man who named the creed is the philosopher Auguste Comte. The name he coined is *altruism*."[1]

Comte was not only un-American by citizenship, he was un-American by outlook—that is, his philosophy of altruism opposed at root all of the basic values which Americans share and which helped create this nation and its wonderfully productive economy.

According to Comte, "The medieval adoration of God . . . must now be transmuted into the adoration of a new divinity, the 'goddess' Humanity. Sacrifice for the sake of the Lord is outdated; it must give way fully to sacrifice for the sake of others. And this time, Comte says, man must really be selfless; he must renounce not only the element of egoism approved by the Enlightenment, but also the 'exorbitant selfishness' that characterized the medieval pursuit of salvation."[2]

It is important to note here that just as most Americans think of altruism differently than did Comte, so do we regard the word "sacrifice" differently. Sacrifice in the American worldview is used almost synonymously with the word "investment." This is implicit in such everyday phrases as, "Is the sacrifice *worth* it?" For instance, the other day on television I heard a man interviewed ask whether the over 200 lives lost (to the Beirut bombing of American Marines) was "worth the goal" of helping the Lebanese establish a strong government.

In economics, we often hear such statements as, "Americans will sacrifice certain luxuries" until their business or job situations improve. Even in our "national pastime" of baseball we have a well-known phenomenon called a "sacrifice hit."

Look at what each of these typical uses of the word "sacrifice" does *not* say: It does not say that Americans endorse or enjoy sacrifice for its own sake—as Comte (and Kant with his

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

virtue-for-its-own-sake philosophy) would have us do.

As further illustration, note that even in charitable contributions, most Americans are "sacrificing" because of a value they see in the contributions they make; the contributions are investments in helping their fellow man (whom they value for reasons other than the mere fact that he is a member of Comte's "goddess Humanity")—whether by improving his health (by giving to heart funds, cancer research, muscular dystrophy associations, kidney foundations, and so forth), his well-being (by giving to food-distribution agencies, agricultural education groups, the Salvation Army, Goodwill, and the like), or even his education (by scholarship donations, grants, low-interest student loans, and so on). This American brand of charity "sacrifice" would have utterly dismayed Comte—because the sacrifice would not have been for the pure sake of it.

As Comte saw it, the true altruist "must place others above self as the fundamental rule of life, and that his greatest virtue is self-sacrifice [i.e., *total* sacrifice, with *no* expectation of returned value] in their behalf."[3]

Given that Comte's view of altruism and self-sacrifice are in direct conflict with what most Americans mean by those terms, how would Comte's views, were they to someday dominate American life, affect the field of economics?

### At the Root of Capitalism, The Pursuit of Self-Interest

The most obvious effect would be at the root of capitalism itself. Capitalism—as Adam Smith pointed out 200 years ago in *The Wealth of Nations*—depends on each man pursuing his own self-interest. In actual practice, Smith saw this highly egoistic pursuit not as an evil, but as a fundamental economic good: "One of the capitalistic market system's enduring strengths is precisely its reliance on the profit motive which, like it or not, is a powerful drive. To many idealists the primacy of the profit motive has long seemed to be a sanctification of selfishness. . . . But capitalism has the overwhelmingly powerful defense of simple realism. There *is* just enough [self-interest] in most people to make them work harder for their own advancement than for the good of their fellows—a fact that regularly embarrasses socialist regimes."[4]

In short, self-interest is Smith's "invisible hand"—the motive which led men to dream, to work, to build in a free society; and to fulfill their dreams, to do their work, to build their businesses (or their "dream homes"), they had to invest *capital;* and in order to acquire that capital (if they didn't inherit it), they had to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"sacrifice"—to put off making purchases in order to save. The American builder—whether worker or businessman—was not in Comte's mold of the selfless man. Quite the contrary, the American capitalist was of necessity supremely concerned with his own economic interests (which, some critics often forget, almost always *included* the interests of those he valued, especially his family, friends, and business partners or workers). If he wasn't so concerned, the market's verdict was harsh: he failed and sank into poverty.

Now let's see what would happen if our society were to exchange the American vernacular meaning of altruism for Comte's version; let's go from the general to the concrete. Three examples will suffice:

1. The homebuilder would have to build homes—but expect no profit; he would have to give away—free—any home he constructed. If he did not, Comte would say, he would be acting selfishly. Any hint of *return* for his homes, any expectation that others should compensate him by *buying* the homes from him would taint the homebuilder's virtue.

Of course, no homebuilder would stay in business for long by following Comte's advice. The homebuilder would quickly find all of his materials and money depleted and he would have to find some other line of work—in which, naturally, he'd be expected to make the same kinds of total sacrifices.

2. The farmer would not be able to sell anything he grew. Rather, Comte would say, he should freely distribute his peas and potatoes, his wheat and rice, his berries and asparagus, to any and all people who needed or wanted the food. If the farmer thought this was a sacrifice that wasn't "worth it," Comte would tell him, "Well, you're absolutely right; that's what makes it virtuous!" Clearly, our farmer would not last long in the economy, either. Farms—as any other business—require money, equipment, and labor in order to operate, none of which the farmer could afford if he could not make a profit from the sale of his crops.

3. Even the average worker—from the coal mines to the offices of Manhattan—would find Comte's version of altruism economically impossible. For under Comte's creed, the worker could not, *should* not, expect wages or benefits of any kind. Again, such expectations would not be *really* unselfish—and to be altruistic in Comte's world of ethics, you must give up *all* pursuit of self-interest. Thus, the worker would rapidly discover that he possessed no means whatsoever with which to buy even the minimal essentials, such as shelter and food.

Ah! But at this point our modern Comtean intellectual heirs step in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with their own economic "answer." Socialism. Why? Well, they say, under socialism everyone would provide for everyone else—and consequently no one would go wanting. How so? Simple: The homebuilder would give the farmer and the workers shelter; the farmer would give the homebuilder and the workers food; the workers would provide the labor needed to cultivate the fields and build the homes. Presto! Utopian economic altruism—à la Comte. With this utopia, the Comteans of today would contend, we have ended selfish, evil capitalism and its "exploitation of man by man, the profit motive and the rule of money supreme, with an inevitable cruel injustice everywhere manifest."[5]

Of course, many of Comte's heirs are doubtless sublimely unaware their views of altruism—and rages against the egoism of profit—can be traced to this influential man. But that is not what would make Comte frown at their utopian vision. What would disappoint Comte would be this: Even in this anti-capitalist vision, the parties would not be acting *truly* selfless: The homebuilder would come to *expect* compensation in the way of food and labor; the farmer would come to expect compensation in the form of shelter and labor; the workers would come to expect compensation with shelter and food. Obviously, their altruism would be perverted; their sacrifices would anticipate payment. Such an economic system, Comte would be compelled to contend, would merely be capitalism reduced to the barter scale; it would be capitalism in sheep's clothing—and therefore not good enough.

### The Alternative is Coercion

Stepping aside from our hypothetical homebuilder, farmer, and worker, what happens in the real world when those unwitting admirers of Comte's altruism, those haters of "selfish" capitalism (who, as Charles Dykes pointed out, cross the broad spectrum of modern intellectuals, including "politicians, journalists, university professors, and theologians"[6]) are determined to put their altruism into practice? What happens when they just "know" this creed is right—and everyone *should* sacrifice without expectation of reward? What happens is the use of force.

According to Bill Anderson, "The only way that socialism can succeed is for an elite to have total knowledge of what is good for others (who are assumed not to know what is good for themselves), and then to be able to force their will on that less-than-enlightened population."[7]

For when the Comtean altruists find that Americans *will not* sacrifice their values for the pure "virtue" of it—when Americans keep

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

demanding an answer to the question, "What for?"—then the Comteans decide they must take matters into their own hands; they must find a way to sidestep the average American's demand for a return on his investment—and the only way to do that is with force.

This is why the mere appeals to sacrifice for "the common good" or "the public interest" have never been enough in America. Translated, those appeals are a re-writing of Comte: sacrifice for the sake of others—totally. Americans *do* believe in such "common good" or "public interest" values as a common defense for the public interest—but translated, that means: for the good, for the interest in common of all those individuals who make up the public and wish to see their values protected. Again, the American view is that a sacrifice must be *for* something, to attain or retain some value, a *trade,* not effort or energy thrown down some bottomless drain of ethics merely because they are told the throwing is in itself the essence of virtue.

The heirs of Comte—one might call them "old world" altruists—are aware of what they are up against in the American personality. If they were not, why would they constantly have to resort to force? For if Americans were indeed amenable to Comte's altruism, there would be *no need* to force anyone; they would do it of their own will. When what men will *not* do of their own volition is nevertheless imposed on them, the result is not utopia, but—through economic information-restriction—economic decay. Or, as Ludwig von Mises so lucidly stated, "Socialism is unrealizable as an economic system because a socialist society would not have any possibility of resorting to economic calculation. This is why it cannot be considered a system of society's economic organization. It is a means to disintegrate social cooperation and to bring about poverty and chaos."[8]

### A Self-Contradictory Theory

It is likely that Comte himself did not fully understand that his creed of altruism is self-contradictory—for if men are to sacrifice only for the " 'goddess' Humanity," the question can be raised: Is not such sacrifice *for* humanity an implicit acknowledgment of an expected value-return? In other words, doesn't even Comte's altruism in some sense smuggle in the concept that a sacrifice serves the preservation of something—and doesn't that sacrifice therefore become a form of investment to the individual who makes it?

I'll leave the final analysis of what *would* be good enough to qualify as a proper economic system under Comte's ethics up to the reader's own imagination. Whatever eco-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nomic universe Comte envisioned (if any) as perfectly attuned to his creed, to the expunging of the ego, it would clearly not be *this* world, not the world of American capitalism.

The economic lesson to be learned from Comte's altruism is a profound one: The attempt to put his creed into action leads to the destruction of the free market. So, the next time you hear a fashionable modern intellectual raving about altruism and sacrifice—make sure you know whether he's referring to Comte's worldview, or that of most Americans. The difference holds the future of capitalism in its grasp.

Mises once discussed the differences between the outlooks of citizens of authoritarian regimes (the kind to which Comte's altruism leads) on the one hand—and on the other hand, citizens of the liberty-oriented lands of the West (of which America is the best example). Of the authoritarians, Mises said, "all roads toward personal distinction were closed but one . . . They could try to make their way in serving [their rulers]." In contrast, he wrote, "The alert youth of the West looks upon the world as a field of action in which he can win fame, eminence, honors, and wealth; nothing appears too difficult for his ambition."[9]

And that, *in actual practice,* is the precise difference between Comte's altruism—which depends on force for its implementation, and the common American view of altruism—which depends on freedom—and leads to capitalism.

## —FOOTNOTES—

[1]Leonard Peikoff, *The Ominous Parallels* (Stein and Day, 1982), p. 83. (This book, reviewed in *The Freeman,* December 1982, contains valuable—and thoroughly documented—historical notes on the development of altruism and ideas which led to it.)

[2]*Ibid.*

[3]*Ibid.*

[4]"Can Capitalism Survive?" *Time,* July 14, 1975, p. 68.

[5]Charles Dykes, "Is There a Moral Basis for Capitalism?" *The Freeman,* August 1983, p. 474.

[6]*Ibid.*

[7]Bill Anderson, "Why Socialism Fails—Why Markets Survive," *The Freeman,* December 1983, p. 727.

[8]Ludwig von Mises, *The Anti-Capitalistic Mentality* (D. Van Nostrand Company, Inc., 1956), p. 102.

[9]*Ibid.,* 104.

IDEAS ON LIBERTY

**How State Help Destroys Self-Help**

It is one of the best established laws of history that, as government activity expands, individual activity and enterprise contract, until what was once a vigorous, self-reliant society becomes a hollow, bureaucratized shell, easily cracked by external attack or internal decay.

*WILLIAM HENRY CHAMBERLIN*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

John Hospers

# Freedom and Democracy

THE very word "democracy" in our time has become a term of commendation. Every system of government wants to call itself a democracy, even if it is actually a dictatorship. "Democracy" has become such a term of approval that to call something democracy is implicitly to commend it. Even communist nations whose governments are tyrannical to the core pride themselves on being "people's democracies." In non-communist nations such as the United States this tendency is equally evident: we hear of wars to defend democracy, and the need to "preserve the tradition of liberal democracy."

Whether one is talking about the right to vote or the "need to share our resources," people will use the word "democracy" to praise whatever political system or ideal they favor. The harshest criticism of any procedure is that it is "anti-democratic." And yet it was not always so: even a hundred years ago in this country, to call a nation a democracy could be construed simply as a description, not an evaluation—sometimes even as a criticism. Almost nowhere is this any longer true.

## Majority Rule

Democracy is rule by the majority. In a direct democracy, such as that of ancient Athens, or like the New England town meetings, every

John Hospers is a professor in the Department of Philosophy at the University of Southern California, Los Angeles. He was the first Libertarian Party candidate for the presidency of the United States (1972). He is the editor of the philosophical magazine, *The Monist*. His most recent books are *Understanding the Arts* (Prentice-Hall) and *Human Conduct* (2nd ed. Harcourt Brace).



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

citizen can vote on every measure. In an indirect, or representative, democracy, each citizen can vote to elect representatives (Congress, Parliament) who then do the voting, and it is the majority of the representatives rather than the majority of the citizens themselves who determine the outcome.

Let us consider representative democracy, the only kind that is feasible in large nations. Several conditions have first to be spelled out before our description is complete.

First, in a democracy there are elections. But how often? Suppose there were an election only once in a hundred years. In such a "democracy" voters could not vote to change governments more than once in a lifetime. Clearly, elections must be fairly frequent, enough to give voters a chance to vote for new candidates.

Second, the vote must be rather widely distributed. If only one per cent of the population could vote, or only persons whose initials were R.Z., no election would represent the will of the majority of the people, no matter how often they were held. There are almost always certain restrictions on voting—e.g., minors cannot vote, convicted felons cannot vote while in prison, persons in mental institutions cannot vote and non-citizens cannot vote—but in the twentieth century at least there are many times more residents who can vote than cannot. Only after World War I could women vote in the United States, and for many decades no blacks could vote, as they still cannot in South Africa.

Third, even if everyone could vote, and at frequent intervals, it would be to no purpose if there were no diversity of positions available to vote for (or against). In the Soviet Union people can vote, at least for some offices, but only for one communist candidate or another—non-communists are not permitted to be on the ballot. In other Eastern bloc nations, numerous political parties are permitted, but no one is permitted to be a candidate who is not officially approved by the government in power. Such a restriction on candidacy can have the same effect as permitting only communists to be candidates. In both cases, a wide diversity of preferences is ignored. If a democracy is to function at all, it must be possible for persons of whatever opinion to sponsor candidates for office and there must be means for getting them on the ballot.

Nor is even this sufficient. No choice by voters is meaningful unless that choice has at least the opportunity to be an informed choice; and this is not possible if all the channels of *publicity* are reserved for the officially sponsored parties. Electors must be able to find out all

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

they need to know about the alternative candidates. If the government owns all the television and radio stations, and owns or controls the content of newspapers and magazines, the voter will not be able to receive an accurate impression of the choices available.

Even if the press is not owned by the government, if newspapers are censored or prohibited from expressing opinions contrary to those of the party in power, voting citizens will not be able to make choices on the basis of reliable information. If newspapers and the media are monopolized by one group or party, it is not possible for the groups which are denied access to the media to receive a fair hearing. And thus a controlled press is incompatible with democracy, and a free press essential to it.

There may well be other conditions, but these at least are indispensable if any system of government is to be called a functioning democracy.[1]

### Self-Government

Democracy is often spoken of as "self-government." But if we treat this term with any care at all, it is clear that democracy is no such thing. I can govern myself, determine to a large extent the course of my life, curb my desire for immediate satisfactions in order to achieve long-range goals, and so on. And you can do the same with yourself. If ten people do this, each is governing himself or herself. But when people speak of democracy as self-government, they are not speaking about each person governing himself; they are speaking of a process in which a majority of voters, or a majority of members of a legislature, make decisions which have the force of law for everyone, including those who are opposed to what is enacted. It is true that each adult individual in a democracy can *participate* in determining who shall sit in the seats of political power—but only in a very small way, seldom enough to change the outcome of an election.

In any case, self-government means governing oneself; it is a mistake to extend this from an individual to a collection of individuals and say that via democracy the collection is "governing itself." Democracy is simply government by the majority of a collective (or the majority of the representatives the voters have voted for). Their decisions may not accord with the needs or wishes of you as an individual at all. To the extent that they exert coercive power over your life, you are being governed *by others*.

An individual, of course, may govern himself badly: he may make constant mistakes, may ruin his own life, may waste his years on useless projects or alcohol; but at least he is doing it to himself. A democratic government may also

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

govern others badly. When inhabitants of a nation freed from colonial rule say, "At least we're governing ourselves," what they are saying is that instead of people from outside the nation ruling them, there are now people from inside the nation ruling them—and sometimes doing so far worse than their colonial masters did.

### Objections to Democracy

The most usual, and most easily understood, objection to democracy as a form of government is that it enables the majority to ride roughshod over the rights of a minority—to persecute them, to censor their activities, even to kill them. A majority might vote to kill certain minority racial elements, or to make life difficult for them in many ways. If feelings run high and a majority knows it can get by with it, there is every temptation to vote into law whatever prejudices a majority may have. Is it inconceivable that a majority of Germans, had they voted on it, would have voted to do something (not necessarily death) to Jews? Certainly a majority of Americans for generations used the political means to keep blacks "in their place." When there is no criterion but majority rule, anything can become law, depending on what the whims of the majority are; it is like a ship without a rudder.

But a second, and even more telling, criticism of democracy is that the majority of voters will often vote for policies which turn out to be ruinous to *themselves,* though they do not see this at the time. Legislatures, responding to the voters who elected them, may vote billions of dollars for various schemes of welfare. Even though only a small part of the money ultimately reaches the poor for whom it was intended, the legislators continue to vote for more of these measures. If they don't, they are branded as "cold" and "unhumanitarian" (as if it were somehow humanitarian for A to take B's money and give it to C) and they won't get re-elected. But the voters rebel at the resulting high taxes, so the government resorts to increasing quantities of printing-press money, and the result of course is inflation. The consumer's dollars will no longer buy what they did before, and almost everyone is worse off than before. But they didn't see the causal connection between the measures they voted for and their resultant poverty. They didn't realize that if 40 per cent of their income went to finance the government, that was 40 per cent they couldn't use themselves, and yet that 40 per cent wasn't enough to finance the government projects which they themselves favored.

When they said "It's government money," they didn't realize that it was *their* money that was being

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

taken from them to finance the projects they wanted. They didn't realize that money isn't like manna from heaven—that the government has no way of financing anything except by taking it from the people themselves. They didn't see that for every person who gets something for nothing there must be at least one other person who gets nothing for something. Even a superficial knowledge of elementary economics should have told them this much; but they didn't have even that elementary knowledge, so they voted themselves into disaster. Thus, beginning in relative independence of government, they voted themselves into utter dependence on government, a result they had completely failed to foresee.

One may say, "Well, then they deserve it. They brought it on themselves." Perhaps so—but who is the "they"? The "they" is the majority. The minority, who warned against these consequences, and were only ridiculed for their efforts, certainly did not deserve such a fate; they knew well enough what would happen. But in a democracy they must suffer consequences along with the ignorant majority that favored the disastrous policies.

When Benito Juarez, the first president of Mexico, said, "Since people do not vote themselves into slavery, freedom flows from democracy as water flows from the hills," his words were doubtless eloquent and inspiring. But unfortunately they were not true; people *do* vote themselves into slavery.

### Plato on Democracy

What, after all, is so great about a majority view? Does a majority's taste in art determine which art is best? Does a majority vote on Newton vs. Einstein determine which of their theories was right? Are the masses of mankind so imbued with political wisdom that the majority can always be trusted to make the right choices? On the contrary: the majority of people appear to be influenced more by a candidate's images than by his argument, and to become bored and uncomprehending when even moderately difficult points are discussed (such as the need for capital investment to bring about prosperity). Ignorance and confusion multiplied 100 million times are still ignorance and confusion. That is why Louis Napoleon characterized democracy cynically as "government of the cattle, for the cattle, by the cattle." And that is why Plato more than two thousand years ago spoke of democracy in the following manner:

> Imagine this state of affairs on board a ship or a number of ships. The master is bigger and burlier than any of the crew, but a little deaf and short-sighted and no less deficient in seamanship. The sailors are quarrelling over the control of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

helm; each thinks he ought to be steering the vessel, though he has never learnt navigation and cannot point to any teacher under whom he has served his apprenticeship; what is more, they assert that navigation is a thing that cannot be taught at all, and are ready to tear in pieces anyone who says it can.

Meanwhile they besiege the master himself, begging him urgently to trust them with the helm; and sometimes, when others have been more successful in gaining his ear, they kill them or throw them overboard, and, after somehow stupefying the worthy master with strong drink or an opiate, take control of the ship, make free with its stores, and turn the voyage, as might be expected of such a crew, into a drunken carousal.

Besides all this, they cry up as a skilled navigator and master of seamanship anyone clever enough to lend a hand in persuading or forcing the master to set them in command. Every other kind of man they condemn as useless. They do not understand that the genuine navigator can only make himself fit to command a ship by studying the seasons of the year, sky, stars, and winds, and all that belongs to his craft; and they have no idea that along with the science of navigation, it is possible for them to gain, by instruction or practice, the skill to keep control of the helm whether some of them like it or not.

If a ship were managed in that way, would not those on board be likely to call the expert in navigation a mere stargazer, who spent his time in idle talk and was useless to them? . . . But our present rulers may fairly be compared to the sailors in our parable, and the useless visionaries, as the politicians call them, to the real masters of navigation. . . . Democracy will promote to honor anyone who merely calls himself the people's friend.[2]

## A Republic

The government of the United States is not a democracy, and the Founding Fathers never thought of it as such. It is, rather, a *republic.*

A republic may be democratic in many of its procedures, but there are certain things it cannot do. In the constitution of a republic are contained certain *limitations* on what the majority may do. Thus, the First Amendment declares that Congress shall pass no law abridging freedom of speech or of the press. Even if a law banning freedom of speech were passed by Congress, it would be unconstitutional and presumably would be struck down by the courts.

In the same way, the Constitution provides for "due process of law," protects citizens against search and seizure of property, entitles them to protect themselves against aggressors, and so on—and having these protections embedded in the Constitution gives all of us protection against measures that an ignorant or whimsical majority might enact. In short, the Constitution recognizes and protects *individual rights*—against their violation by other individuals, and by the government itself—whereas unlimited democracy

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

may flout them with abandon, and with nothing between them and us to protect us against the ever-changing whims of the majority.

As James Madison wrote in *The Federalist Papers*, "A pure democracy can admit no cure for the mischiefs of faction. A common passion or interest will be felt by a majority, and there is nothing to check the inducements to sacrifice the weaker party. Hence it is, that democracies have ever been found incompatible with personal security or the rights of property; and have, in general, been as short in their lives as they have been violent in their deaths."

### What Kind of Republic?

What whims we are protected against depends, of course, on what kind of republic it is. It depends on what kinds of protection are written into the constitution; it also depends on whether the constitution is actually followed in practice or is simply there for self-advertisement or window-dressing, like the constitution of the Soviet Union.

The best constitution is one which provides maximum freedom under a rule of law. Maximum freedom means freedom to live by one's own choices and not to live by the choices forced on one by others. But some choices that people make interfere with the freedom of others; some people choose to murder, to plunder, to steal the fruits of others' labor. Such errant behavior is the reason why law is required. The first maxim of the law is: *Do not harm others*—whether those inflicting the harm are other individuals or the government itself. Law is required so that people may live in freedom, not having that freedom forcibly interfered with by the choices of others.

All this was certainly the intent of the Founding Fathers of the American republic. Such freedoms include, certainly, the *political* freedoms, such as the freedom of speech and press, freedom of peaceable assembly, and freedom from harm to one's person or property; they also include *economic* freedom, such as the freedom to start a new enterprise, freedom to sustain it by one's efforts (not to have it confiscated), and freedom to employ others or be employed by others on terms voluntarily agreed to by both; in short, the freedom of the market.

The Founding Fathers saw no reason to assume that a majority of citizens should have the final and deciding word on what bills should be enacted into law; decisions of such depth and complexity could not be left to the ever-changing whims of a majority. "No one imagines that a majority of passengers should control a plane. No one assumes that, by majority vote, the patients, nurses, elevator boys and cooks and ambulance drivers and internes and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

telephone operators and students and scrubwomen in a hospital should control the hospital. Would you ever ride on a train if all the passengers stepped into booths and elected the train crews by majority vote, as intelligently as you elect the men whose names appear in lists before you in a voting booth? Then why is it taken for granted that every person is endowed on his 21st birthday with a God-given right and ability to elect the men who decide questions of political philosophy and international diplomacy?

"This fantastic belief is no part of the American Revolution. Thomas Paine, Madison, Monroe, Jefferson, Washington, Franklin, did not entertain it for a moment. When this belief first affected American government, it broke John Quincy Adams' heart; to him it meant the end of freedom on earth."[3]

And yet, things haven't quite turned out that way. As one observes the United States today, it often seems as if very little of the original republic remains, and that it has been gradually, sometimes imperceptibly, but nevertheless surely been transformed into the democracy that the Founding Fathers feared. How has this happened?

### Election to Federal Offices

One important straw in the wind is the gradual transformation of the manner in which individuals are elected or appointed to high office in the federal government. Most people seem to assume that congressmen and presidents always came into office as the result of democratic elections. But the founders of our republic carefully framed it otherwise. Consider how it was when the republic was founded, and for many years thereafter, based on the original (unamended) Constitution:

1. The only exercise of majority rule in the federal government was the House of Representatives. The majority of voters were empowered to elect—and to recall in two years—the members of the House, the only body having the authority to spend the money collected from the people in taxes. (Voting was also much more restricted during those years.)

2. The Senate was not elected by the citizens. Its members—two from each state—were appointed by the legislatures of their respective states, according to rules determined by the states and not the federal government. The popular election of senators did not come about until the 17th Amendment, in 1913.

3. The president was not elected by popular vote at all. Article 2 of the Constitution reads, in part: "Each state shall appoint, in such manner as the legislature thereof may direct, a number of electors, equal to the whole number of sena-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tors and representatives to which the state may be entitled in the Congress . . . The electors shall meet in their respective states, and vote by ballot for two persons . . . They shall make a list of all the persons voted for, and of the number of votes for each, which list they shall sign and certify, and transmit sealed to the seat of the government of the United States, directed to the president of the Senate. The president of the Senate shall, in the presence of the Senate and House of Representatives, open all the certificates, and the votes shall then be counted. The person having the greatest number of votes shall be the president, if such number be a majority of the whole number of electors appointed . . ." It was done this way so that the president would not be subject to the whims of any section of the nation, but would represent the entire republic.

Today, of course, the president is elected by popular vote, and the Electoral College is an empty charade. This is yet another step toward emasculating the republic and instituting democracy. "And many a president in a time of crisis, since that right [freedom from popular election, hence from special interest groups] was taken away from his high office, must have silently cursed the amendment that plunges him to the neck in a mob of short-sighted, local-minded, clamoring men, clutching and pulling at him with a thousand hands. Today that Amendment does not let the captain of this ship of State make one clear decision unhampered by the ignorance and prejudices and fears of all the passengers on all the decks and all the men playing poker in the ship's bar. An ocean liner could not be navigated for a day under such conditions."[4]

### The Courts and the Republic

But that is only the tip of the iceberg. What has occurred in this nation, and only partly because of changes in the method of electing presidents and Congressmen, is an enormous *expansion of governmental powers*. When this republic was founded, the main purpose of the federal government was defense against aggression: police to defend citizens against internal aggression, and armed forces to defend them against external aggression. But since government, to discharge these functions, requires a monopoly on the use of physical force—or at least a monopoly on the power to say who will be entitled to wield that force—it is tempting for a government, once installed, to use that coercive force in ways that were no part of the original plan. "Give them an inch and they'll take a mile" was never more applicable than to the powers usurped by governments: power to regulate industry and ag-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

riculture, power to control and inflate the currency, power to seize the earnings of those who work and give them to those who do not—and so on endlessly.

"But the United States is a republic; and the republic's powers are limited by its constitution. The Constitution does not mention any of these powers as being among those delegated to the federal government. The federal government is not constitutionally empowered to do any of these things."

This is quite true. But the Constitution is interpreted by the courts, and the courts—particularly during and since Roosevelt's "New Deal"—have conspicuously failed to prevent the expansion of Federal powers. The result has been to sanction Federal interference in virtually every branch of economic activity, in which, as a republic, it has no place.

### Interstate Commerce

For example, the Constitution empowers the federal government to handle "interstate commerce." But the interstate commerce clause has been construed by the courts so as to permit all manner of activities never envisaged by the framers of the Constitution, such as "taxing North Dakota farmers to build flood control dams on a dry creek rising in the mountains of Los Angeles County, flowing through Los Angeles County, and discharging into the Pacific Ocean in Los Angeles County."[5] Interstate commerce has been construed to include the wages of men who wash the windows of buildings in which interstate trade is conducted. It has been construed to permit all manner of regulation of agriculture, such as regulating the kind and amounts of crops a farmer may grow. (The federal government has the authority to regulate that which it subsidizes, said the Court; but what gave it the authority to subsidize in the first place?) It has been construed so as to permit the government to set the price of natural gas at the well-head (the Phillips Petroleum Case of 1954), thus discouraging the search for new sources of natural gas and meanwhile encouraging consumers to be wasteful of gas because of the government-set low price. Indeed, it has enabled the government to create an energy shortage where in nature no energy shortage exists.[6] These and thousands of other intrusions into the free market have been brought about by these court decisions, giving to the federal government tremendous regulatory powers never granted in the Constitution of this republic.[7]

And yet, in numerous polls throughout the last decade, a majority of Americans appear to believe that what is needed are *more* controls, not fewer. The majority have no idea of the cost of these controls:

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the tremendously expensive and wasteful regulatory apparatus, the ball and chain it places on production, the countless men and women who *would* have helped to create a prosperous economy, who would (for example) have found natural gas and sold it at market price (and with greater abundance, the price would have come down). The majority see only that "we think the price is too high," and vote to control the producers. And thus they kill the goose that lays the golden egg. The minority who see clearly enough what is happening are outvoted at the polls. Such is the course of democracy.

### The General Welfare

The federal government has also assumed enormous powers through a distortion of the phrase "the general welfare." In the first Congress, in 1789, a bill was introduced to pay a bounty to fishermen at Cape Cod, as well as a subsidy to certain farmers. James Madison said: "If Congress can employ money indefinitely to the general welfare, they may take the care of religion into their own hands; they may appoint teachers in every state, county, and parish, and pay them out of the public treasury: they may take into their own hands the education of children, establishing in like manner schools throughout the Union: they may seek the provision of the poor . . . [all of which] would subvert the very foundations, and transmute the very nature of the limited government established by the people of America."

And so Congress rejected the bill, and Thomas Jefferson said with relief, "This will settle forever the meaning of the phrase 'general welfare,' which, by a mere grammatical quibble, has countenanced the general government in a claim of universal power." It is an irony of history that the Hydra that Jefferson thought he had laid to rest has within our own century grown a hundred new heads, each of them aimed at our liberty.

The Constitution read: "Congress shall have the power to lay and collect taxes, duties, imports and excises, to pay the debts and provide for the defense and general welfare of the United States." This meant that the national government could raise money *only* and spend money *only* to carry out its enumerated powers. They thought it ridiculous to construe two words "general welfare" as if they superseded the detailed enumeration of specific powers, rather than as merely summarizing them. The two words were always interpreted in the latter way by the Supreme Court during the first century and a half of American history. Their meaning, they held, could be changed only by amendment to the Constitution.

Yet today the amount of transfer

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

payments—to promote "the general welfare"—takes up almost half the budget; more than that, if one includes all the entitlement programs. Moreover, the majority of Americans apparently consider all these things as their *right*. Those receiving money from the federal government now outnumber those who labor to sustain it. The resulting level of taxation, as well as national indebtedness, is causing the republic to hemorrhage to death in the name of the democracy.

### Market Alternatives

Without the vast bureaucracy created through the regulatory agencies, free-market alternatives could be devised. For example, "Building codes and fire codes could presumably be replaced quite easily by privately enforced codes drafted by insurance companies. Few developers would construct hazardous firetraps if they knew beforehand that they could not acquire insurance for their buildings. And as Bernard Siegan brilliantly demonstrated in his 'Non-zoning in Houston,'[8] egregious, incompatible property uses will not often cohabit if land use regulations were summarily abolished. Restrictive covenants that run with the land, renewable at intervals of several decades, could very expeditiously insure that a slaughterhouse will not locate in the middle of Shaker Heights, Beverly Hills, or Boca Raton. If one were so unfortunate as to find one's house suddenly within proximity of a noisome chemical plant a remedy would lie in nuisance law, for no one has a right to use his property in such a way as to adversely affect another's enjoyment of his property."[9]

### Democracy vs. the Market

The only thing that can increase a nation's standard of living is greater *production*. And anything that inhibits that production makes the nation poorer. If a farmer or manufacturer has part of his output taken away from him for distribution to others, he will be less motivated to produce in the future. If he is regulated by men from the Department of Agriculture who trample over his fields to determine how much corn he has planted, if the factory owner is regularly fined for trivial offenses that shouldn't be offenses at all (but are only contrary to rules set up by the government regulatory agency), he will sooner or later be forced into bankruptcy or to continue production under great difficulties (and higher prices). And if the government pays the farmer money to grow or not to grow crops, this increases the burden of every taxpayer in the land without any increase of production.

In a democracy, all such processes are easily sanctioned by popular outcries: "He's a profiteer—take it

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

**Perpetual Childhood**

ABOVE this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications, and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent, if, like that authority, its object was to prepare men for manhood; but it seeks on the contrary to keep them in perpetual childhood: it is well content that the people should rejoice, provided they think of nothing but rejoicing. For their happiness such a government willingly labours, but it chooses to be the sole agent and the only arbiter of that happiness: it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances—what remains, but to spare them all the care of thinking and all the trouble of living?

Thus it every day renders the exercise of the free agency of man less useful and less frequent; it circumscribes the will within a narrower range, and gradually robs a man of all the uses of himself.

**ALEXIS DE TOCQUEVILLE, *Democracy in America***

away from him." "He's getting too much—give it to us." People who haven't succeeded, or weren't willing to make the sacrifices he made, will do all they can to take it away from him after he has succeeded. A democracy easily becomes dominated by the morality of *envy*. A fickle mob, unaware of the facts of basic economics, but easily swayed by demagogues demanding as their right the fruits of the labor of others, can easily bring about the passage of laws which will inhibit production, destroy the free market, and in the end lead to such shortages and bottlenecks in production that they result, just as Plato said, in riots, calls for "law and order," and dictatorship.

Only a republic, in which the powers of the government are constitutionally limited, can avoid this fate. That is why the Founding Fathers were careful to create this nation as a republic, so that each person could determine his own destiny and not have it determined by others, whether by the tyranny of one (dictatorship) or of a few (oligarchy), or of many (democracy). "It is the blessing of a free people, not that they live under democratic government, but that they do not."[10]

If the return to a republic is not achieved, Alexis de Tocqueville's

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

prediction of a century and a half ago may yet come true: that the American government will become for its citizens "an immense and tutelary power, which takes upon itself alone to secure their gratifications, and to watch over their fate. . . . For their happiness such a government willingly labors, but it chooses to be the sole agent and the only arbiter of that happiness: it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances—what remains, but to spare them all the care of thinking and all the trouble of living? . . . The will of man is not shattered, but softened, bent, and guided; men are seldom forced by it to act, but they are constantly restrained from acting; such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to nothing better than a flock of timid and industrious animals, of which the government is the shepherd."[11]

Indeed, it is not difficult to make a case for the view that what Tocqueville predicted has already come to pass.

## —FOOTNOTES—

[1]See S. I. Benn and Richard Peters, *Social Principles and the Democratic State* (London: Allen & Unwin, 1959), Chapter 15. Also published as a Collier-Macmillan paperback entitled *Principles of Political Thought.*

[2]Plato, *The Republic,* translation by Francis M. Cornford (London: Oxford University Press, 1941), pp. 195–6.

[3]Rose Wilder Lane, *The Discovery of Freedom* (New York: Arno Press, 1943), pp. 207–8.

[4]Rose Wilder Lane, *op. cit.,* p. 203.

[5]Newton Garber, *Of Men and Not of Law* (Greenwich, Conn.: Devin-Adair, 1962), pp. 13 ff. See also Philip Kurland, ed., *The Supreme Court and the Constitution* (University of Chicago Press, 1960), and the recent book by Henry M. Holzer, *Sweet Land of Liberty?* (Costa Mesa, Calif.: Common Sense Press, 1983), for many other examples.

[6]On the so-called energy crisis, see for example C. V. Myers, *Money and Energy* (Darien, Conn.: Soundview Books, 1980), and Lindsey Williams, *The Energy Non-Crisis* (Wheatridge, Colo.: Worth Publishing Co., 1980).

[7]Dan Smoot, *The Business End of Government* (Belmont, Mass.: Western Islands, 1973), p. 83. See also Alan Stang, *The Oshacrats* (from the same publisher).

[8]Bernard Siegan, "Non-Zoning in Houston," *Journal of Law and Economics,* Vol. 13 (1970); and *Land Use without Zoning* (Lexington Books, 1972, Chapter 2).

[9]Ellen Frankel Paul, "On Three 'Inherent Powers of Government,'" *The Monist,* Vol. 66 No. 4 (Oct. 1983), pp. 539–40.

[10]Richard Taylor, "The Basis of Political Authority," *the Monist,* Vol. 66 No. 4 (Oct. 1983), p. 471. See also Richard Taylor, *Freedom, Anarchy, and the Law* (Prentice-Hall, 1973).

[11]Alexis de Tocqueville, *Democracy in America,* pp. 579–80 of the edition edited by Henry Steele Commager, 1946.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Hans F. Sennholz

# The Davis-Bacon Act

To determine the nature and measure of guilt, criminal law searches for man's plans and intentions. It makes important distinctions between criminal action that is premeditated, and action without intent but with malice and in the heat of passion—between voluntary action that means to do some harm, and unintentional or negligent behavior that is violating the law. Punishment is meted out according to the judge's or jury's perception of guilt.

In economics, no such distinctions are made. An economist merely inquires into the means to be applied for the attainment of chosen ends. He does not dwell on the choosing of ends. He does not inquire into the intent of a legislator who casts his vote for a certain bill and endorses certain policies. An economist does not search for criminal intent to inflict harm on certain people, but he does ascertain the harm that is inflicted on them. He does not unmask the racist motives of legislators casting their votes for certain policies; but he may conclude that the votes cast may have consequences that are detrimental to certain groups and races.

The Davis-Bacon Act of 1931 provided ample food for thought for both the criminal psychiatrist and theoretical economist. It ordered contractors performing construction work for the federal government to pay their workers "prevailing" wage rates. Later amendments to the Act added "prevailing" fringe benefits and other costs for federally assisted projects as well.

Dr. Hans Sennholz heads the Department of Economics at Grove City College in Pennsylvania. He is a noted writer and lecturer on economic, political and monetary affairs.



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The legislation was the first to establish minimum wages in the construction industry, benefiting white organized labor at the expense of many other workers and the American public. The Act established a new pattern of discrimination against racial minorities and drew an ugly line against young people, the poor and the handicapped. Subsequent to the federal law, most states enacted their "prevailing wage" acts covering state construction expenditures.[1] Moreover, the Davis-Bacon concept of government wage determination spilled over to numerous other federal and state acts. Today, at least 75 federal acts contain Davis-Bacon clauses.[2]

### Working Evil on Minorities

One of the bill's sponsors, Congressman Miles Clayton Allgood of Alabama, spoke freely of his racist motive: "Reference has been made to a contractor from Alabama who went to New York with bootleg labor. That is a fact. That contractor has cheap colored labor that he transports, and he puts them in cabins, and it is labor of that sort that is in competition with white labor throughout the country."[3] Some legislators presented the bill as a revival and full-employment measure; others simply viewed it as an opportunity for benefiting construction workers or for pleasing labor leaders.

According to George Mason University professor, Walter Williams, the original supporters of the Act knew very well that the law would reduce opportunities for blacks. In recent testimony before the Senate Subcommittee on Labor he likened the Act to similar restrictions imposed by the government of South Africa: "White racist unions there support laws like the Davis-Bacon Act for the expressed purpose of protecting white labor from low wage black competition. Over there they call these laws 'standard rate.' Their stated intent is one thing; yours is another. The effect is roughly the same in both places."[4] But no matter what the motives may have been, the Act inflicted mass unemployment on black workers and continues to weigh heavily on them until this very day.

In unhampered markets wage rates reflect labor productivity, which is the value of the productive contributions made by a worker. If government and labor unions forcibly raise wage rates above the market rates, some workers are likely to be "disemployed." They become "submarginal" in productivity as their costs are made to exceed their productivity. Unless they are discharged immediately they consume income and capital of their employers, and, in time, eat away the very business that employs them. By calling for "prevailing" wage rates

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Act openly discriminates against all workers earning less than the "prevailing" rates and bars them from Davis-Bacon employment.

### Minority Workers Are the Primary Victims

The primary victims of such legislative tactics are minority workers. Their labor productivity may be lower than the "prevailing" rates because of lower levels of training and experience. They may live in rural communities far removed from product markets, or they may reside in places with less capital investment per head of population. In most cases they are the primary victims even where there is no discriminatory intent. But the Act actually breeds discrimination as it creates a surplus of job seekers. Without Davis-Bacon, minority workers could offer their services at market rates that are lower than the Davis-Bacon rates. A non-discriminating employer could buy their services at a lower price; a discriminating employer would have to pay higher prices for white labor, which amounts to a penalty for discrimination. The Davis-Bacon Act eliminates this market penalty.[5]

The Act eliminates opportunities for low-skilled minority workers because it restricts the employment of trainees and helpers. The Department of Labor does not recognize semiskilled or helper categories in its wage determination. A Davis-Bacon worker must be paid the full rate for a job classification, regardless of his skill level. A plumber's helper who fetches the pipes must be paid a skilled plumber's wage, which generates instant discrimination against helpers, trainees, and laborers. As many minority workers are helpers, trainees, and laborers, they may suffer the Davis-Bacon discrimination, which they are likely to interpret as white racism.

After more than 50 years of Davis-Bacon legislation the Department of Labor has not been able to fix rates satisfactorily. A single construction job may require anywhere from 10 to 300 job classifications. The Branch of Wage Determination must make tens of thousands of determinations every year. As can be expected, it is quick to impose the rates determined by readily available collective bargaining agreements. An overwhelming number of determinations, therefore, carry union wage rates that usually are far above the market rates. This explains why the strongholds of unionism always are the centers of unemployment. Minority workers in such centers are prone to linger in chronic unemployment and deep despair.

High compliance costs discourage many small contractors from bid-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ding on Davis-Bacon projects. Under the Act contractors must submit weekly payroll information, such as hours worked and wages paid, for every employee on a government-sponsored project. While large contractors may be able to handle the reporting requirements and bear the expenses, small contractors may chafe under such loads, which may discourage them from competing with the larger companies. The compliance regulations favor large unionized companies, and work evil on smaller firms that are likely to employ minority workers.

In many communities local contractors employing local labor may not choose to bid on Davis-Bacon projects, which makes room for construction firms that specialize in Davis-Bacon work. Before 1931, contractors with cut-rate "bootleg colored labor" were damned for traveling about the country and competing with white labor. Today, contractors with bootleg white labor working at union rates are moving about without much competition, which permits them to raise their rates with impunity.

It is not uncommon for out-of-town union contractors to obtain government-sponsored construction contracts in nonunion communities. In fact, it is not uncommon for union shops with preponderantly white labor to obtain Davis-Bacon contracts in black neighborhoods. They provide public facilities and build subsidized housing for the poor and underprivileged, many of whom are made and kept poor by the Davis-Bacon Act. If it were not for the intervention of "affirmative-action" judges, most urban-renewal projects for the benefit of racial minorities, costing tens of billions of dollars, would be undertaken by white unionized labor while minority craftsmen would be forced to watch in idleness and despair.

In the strange world of power and politics, one agency of government inflicts an evil, another seeks to alleviate it. One law raises the costs of housing construction, another seeks to offset the raises through construction grants, low-interest loans, and subsidized rents. One regulation erects offensive barriers for minorities, another seeks to give assistance for overcoming those barriers. Void of freedom, confusion is reigning supreme.

### Depressing the Depression

Many sponsors of the Davis-Bacon Act speak of jobs and full employment. They deny any discriminatory intent, but point all the more resolutely at the number of jobs the Act is supposed to have created for "non-bootleg" labor. But this claim is as unconvincing as the other. The Act was a dismal failure as an economic revival and full-employment measure. Soon after its passage, on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

March 3, 1931, construction activity contracted in all industries. The period from the summer of 1931 to midsummer 1932 was one of deep gloom and despair. The prices of all securities tumbled, stock and bond markets moved down drastically. The Federal Reserve Index for industrial production dropped sharply from 80 in the late summer of 1931 to below 60 in the summer of 1932. And average unemployment in 1931 soared from 16.3 percent to 24.9 percent in 1932.[6]

Surely, no one would care to contend that the Davis-Bacon Act contributed to economic revival and prosperity. But it can be concluded, without much contradiction, that the Act contributed to the economic collapse that was getting under way. Worst of all, it revealed the growing popularity of radical government intervention that soon would not be content with fixing construction wages, but would reach out to countless other endeavors.

The Davis-Bacon Act directly contributed to the economic disintegration by obstructing the necessary readjustment. When economic activity was slackening and unemployment soaring, when goods prices were tumbling and employers were suffering staggering losses, the cost of labor needed to be reduced. In the face of the greatest economic debacle ever, there was no greater need than to raise labor productivity and lower its cost. But the Davis-Bacon legislators chose the very opposite: they raised construction costs, which greatly aggravated the situation.

A few months later, in March, 1932, the same Congress passed the Norris-LaGuardia Act, which imposed strict limitations on the power of federal courts to issue injunctions for the protection of private property against labor union aggression. It limited government protection to cases where "substantial and irreparable injury to complainant's property will follow . . . ," which obviously left unions free to inflict "insubstantial" and "reparable" injury to the property of employers. The Act outlawed employment contracts that commit an employee not to join a labor union, but expressly sanctioned labor's use of strikes, picket lines, and secondary boycotts.[7] In short, it conferred legal immunities and privileges on unions and greatly strengthened their power to raise production costs and aggravate the depression.

### Tariffs and Taxes

It would be misleading to attribute the Great Depression to the Davis-Bacon Act and the Norris-LaGuardia Act alone. There were other acts that were equally harmful to the smooth operation of the market order. In June, 1930, federal legislators in Congress assembled

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

had passed the Hawley-Smoot Tariff Act, which raised American tariffs to unprecedented levels. It practically closed U.S. borders to foreign goods and cut off international markets.

The same politicians who prescribed the Davis-Bacon Act and the Norris-LaGuardia Act also imposed the sharpest increase in federal tax burden in American history. While economic conditions went from bad to worse and unemployment rose to 12.4 million, they passed the Revenue Act of 1932, which doubled the income tax, boosted corporation tax rates, raised estate and gift taxes, and imposed a host of indirect taxes. When state and local governments faced shrinking tax collections they, too, joined the federal government in imposing new levies. All along, President Hoover was lecturing the nation's industrial leaders on the benefits of corporate spending. In the face of declining sales and rising losses he pledged them not to reduce wages and prices, but to expand production. His administration set the tone by embarking upon massive public works programs, and urging state governments to follow suit.

It is futile to estimate the economic harm inflicted by the Davis-Bacon Act since its passage in 1931. The number of buildings not built, the jobs not created, is hidden in the haze of the past. But it should always be remembered that the Act pointed the way toward the most significant economic and political changes to come. It made government the regulator of wages and income, thereby aggravating and prolonging the depression, which in turn gave rise to ever more government tasks and functions. It led to the Full Employment Act of 1946 and countless other government programs for economic stimulation and full employment.

Moreover, the flagrantly anti-Negro tenor of the Act planted the seed for the "civil-rights revolution" during the tumultuous 1960s, which ranged from violence in the streets to militant federal and state legislation. It bore its most bitter fruit in the rioting in a Negro district of Los Angeles that took 34 lives and caused $48 million in property damage.

And finally, the Act contributed its share to the age of inflation, which is marked by government spending and deficit financing on behalf and for the benefit of the poor and underprivileged. Surely, a small share of the trillion and a half dollar debt incurred from 1931 to the present must be attributed to the great desire to alleviate the suffering of unemployed minorities and compensate them for the injuries inflicted by other policies.

Despite its numerous undesirable economic and social consequences the Act has survived more than half

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a century and may live on indefinitely. It generated controversy from its beginning, and yet, it persists unchanged and unaffected. It is costing taxpayers more than $1 billion annually, boosting the cost of federal construction projects, and yet, it persists unscathed under Democratic as well as Republican administrations. Nearly every study concludes that the Act's primary effect is the serious harm inflicted on nonunion and minority workers, and yet, its victims continue to be victimized year after year.

### Why Does Davis-Bacon Persist?

The harmful effects of the Davis-Bacon Act do not seem to impair its popularity. They are interpreted away and placed on the doorsteps of capitalism. The American public does not suspect the Davis-Bacon Act, the Norris-LaGuardia Act, or the Hawley-Smoot Tariff Act of having played an ominous role in the Great Depression. It lays the blame instead on mysterious failings of the private-property order and the profit motive. It does not suspect labor legislation of causing unemployment, especially among minorities. Instead, the public is persuaded that white middle-class racism, especially among employers, is responsible for the unemployment plight.

To raise the income of labor by legislative fiat or union coercion is the very essence of interventionism. In the eyes of the American public, to raise wages is virtue, to take from employers is morality. In the world of reality, however, inexorable economic principles contradict such notions and point up the inevitable consequences of policies based on these notions. In economic life, principle must prevail in the end. In the halls of politics, consensus and popularity may sway over truth. Error has a great deal of political clout.

## —FOOTNOTES—

[1]John P. Gould, *Davis-Bacon Act* (Washington: American Enterprise Institute, 1971), p. 5.

[2]*Ibid*, pp. 7, 8; also John P. Gould and George Cittlingmayer, *The Economics of the Davis-Bacon Act* (Washington: American Enterprise Institute, 1980), p. 84 *et seq*.

[3]*Congressional Record*, House, vol. 74, p. 6513.

[4]*Hearings* before the Subcommittee on Labor and Human Resources, U.S. Senate, April 29, 1980, p. 244.

[5]The Department of Labor estimated the Davis-Bacon costs in 1982 to exceed $1 billion: inflated wage costs $570 million, compliance costs $100 million, restrictive practices costs $480 million. Congressional Budget Office, *Modifying the Davis-Bacon Act: Implications for the Labor Market and the Federal Budget*, July 1983, p. 29.

[6]National Industrial Conference Board, *Conference Board Economic Record*, March 20, 1940.

[7]Roscoe Pound, *Legal Immunities of Labor Unions* (Washington: American Enterprise Association, Inc., 1957), p. 21 *et seq*.; also Sylvester Petro, *The Labor Policy of The Free Society* (New York: The Ronald Press Co., 1957), p. 125 *et seq*., and *Power Unlimited* (New York: The Ronald Press Co., 1959).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Robert A. Peterson

# George Wythe of Williamsburg

"Nothing would advance me faster in the world," wrote a young law student, "than the reputation of having been educated by Mr. Wythe, for such a man as he casts a light upon all around him."[1] So wrote William Munford as he summed up the attitude of the more ambitious youths of revolutionary Virginia. To be taught by George Wythe—as were Henry Clay, Thomas Jefferson, John Marshall and "enough other founding fathers to populate a small standing army"[2]—was the first step on the road to success.

Born in 1726, George Wythe was to become a member of the House of Burgesses, a signer of the Declaration of Independence, and the first man to hold a chair of law in an American college. Often working quietly behind the scenes in the classroom or in his chambers, Wythe helped to lay the foundation for the limited, Constitutional government that brought forth America's free enterprise system. In Wythe's life the principles of voluntarism, self-improvement, and liberty found their perfect expression. Teaching both by example and precept, Wythe might well be called America's "Teacher of Liberty." At the same time, his contribution to the legal profession as America's first professor of law earns for him the title of "The Father of American Jurisprudence."

Like fellow Virginian George Washington, Wythe lost his father early in life. Fortunately, his grandfather had given his mother an excellent classical education. Accord-

Mr. Peterson is Headmaster of the Pilgrim Academy, Egg Harbor City, New Jersey. He teaches economics and is a staunch advocate of the principles of voluntarism in education.



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing to the Reverend Andrew Burnaby, one of Wythe's earliest biographers, Wythe had "a perfect knowledge of the Greek language . . . taught to him by his mother in the back woods."[3]

An unlikely combination—the Greek classics and the rugged forests of North America—yet this was Wythe's nursery of liberty.

In his teens, Wythe entered the College of William and Mary in Williamsburg. He was poor, however, and his stay was necessarily brief. A family connection opened the door for him to study in the law office of Thomas Dewey, and at age twenty he was admitted to the bar. Like most of the Founding Fathers, Wythe was truly the product of an educational free market, for hardly a penny of public funds had been spent on his training.

At the age of twenty-nine, Wythe inherited the large family plantation, but continued to live at Williamsburg where he had been elected to represent the town in the House of Burgesses.

Wythe's young life was marred by a tragedy, the death of his wife Ann within a year of their marriage. About seven years later, Wythe took another bride, Elizabeth Taliaferro (pronounced Tolliver), the daughter of the respected Colonel Richard Taliaferro. Historians believe that Colonel Taliaferro designed the Wythe House for his daughter and son-in-law, which has since been restored by the Colonial Williamsburg Foundation.[4] Wythe's only child died in infancy. Later, many of Wythe's students would be as the sons he never had.

GEORGE WYTHE
(1726–1806)
Jurist, lawyer, educator; signer of Declaration of Independence
*Engraving by James B. Longacre*

Amassing a small fortune through a successful law practice and his marriage into one of Williamsburg's leading families, Wythe began to exhibit the spirit of voluntarism that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is both a prerequisite and a result of the free economy. Wythe became a supporter of the College of William and Mary, a member of the vestry of Bruton Parish Church, a trustee of an asylum for the insane, and a founder of a society for the encouragement of scientific and technical progress. On one occasion, he offered to serve as a Burgess without pay.[5]

In the midst of his busy schedule—he was a lawyer, a planter, a teacher, a philanthropist, and a statesman—Wythe found time for self-improvement. He studied early English literature and laws, as well as the Greek and Roman classics to which he had first been introduced as a child. The Virginia Historical Society has one of his notebooks, a study in which Greek words from the *Iliad* are compared to their Latin equivalents.[6]

Before Wythe joined the faculty of William and Mary, he tutored young law students in his house on the Palace Green. In 1772–73, he took James Madison into his home, cousin of the Father of the Constitution.[7] Madison later became the President of William and Mary, and in 1790 the first Bishop of the Protestant Episcopal Church in Virginia.

Another student was Bermuda-born St. George Tucker, who boarded at the Wythe home and later became United States judge for the District of Virginia.[8] But his greatest pupil was Thomas Jefferson, who throughout his long life "never ceased to learn from his old teacher."[9] Jefferson believed that Wythe's legal instruction was superior even to that offered in Europe, and that a young student could nowhere "apply so advantageously as to Mr. Wythe."[10]

## Wythe and Jefferson

The disciple is not above his master, and students forever bear the imprint of their teachers. In Jefferson's case, Wythe's emphasis on the importance of liberty under the law helped to check Jefferson's fiery spirit and help him understand the difference between liberty and license. Wythe also instilled in Jefferson a love for books. An avid collector of books, Wythe accumulated such an excellent library that even George Mason made use of the collection. In later years, a friendly rivalry developed between Wythe and Jefferson, as each sought to develop the best private library in Virginia. Wythe eventually bequeathed his superb library to Jefferson,[11] a token of his life-long affection for the man who believed that "the best governed are the least governed."

As the War for Independence drew near, the controversies with Great Britain helped to crystallize Wythe's thoughts on liberty. Wythe argued that due to the slowness of communications with England, the American legislatures should be allowed to make laws to meet local needs.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The growth in power of the colonial assemblies was part of the whole process of the mid-1700s, which saw the lower houses grow in power, confidence, and ability to govern.[12]

Wythe's mature political philosophy was similar to that of Adams and Madison. Like Adams and Madison, Wythe believed in the necessity of a "mixed government" in which several "factions" checked each other's power and influence. Ultimately, this concept found its practical expression in the three branches of government and in the federal relationship between the states and the national government. In 1776, at Wythe's prompting, John Adams wrote his *Thoughts on Government,* in which he put forth the concept of separation of powers.[13]

When Jefferson published his *A Summary View of the Rights of British America,* Wythe supported his former student. According to Jefferson, Wythe refused to stop with "halfway principles as others who failed to follow their reason."[14]

## Wartime Service

When the war began, Wythe volunteered to serve in Virginia's army, but was instead called to serve in the Continental Congress. In Philadelphia, Wythe emphasized that "we must declare ourselves a free people."[15] In the winter of 1776, Wythe's arguments for independence grew more intense. Ironically, Wythe was not there in July to sign his student's great document, *The Declaration of Independence.* His vast store of legal knowledge always in demand, Wythe had been called back to Virginia to help set up the new Commonwealth. In deference to his position as a champion of liberty, the Virginia delegation left a space above their names so that Wythe could sign it when he returned. In the fall Wythe returned to Philadelphia and dutifully signed his name, making the Declaration complete. Wythe's name thus appears before those of Thomas Jefferson, Richard Henry Lee, Carter Braxton, Benjamin Harrison, Francis Lightfoot Lee, and Thomas Nelson.[16]

In 1777, Wythe returned to Virginia to revise the Old Dominion's colonial laws and adopt them to her new status as a sovereign state. Unlike the revolutionaries in France and Russia, where Whig principles were either ignored or cast aside, Wythe sought to build American laws on English precedents. The fruits of Wythe's labors confirmed Edmund Burke's observation that "the Americans are not only devoted to liberty, but to liberty according to English principles and ideas."[17] Wythe clearly saw the danger of disinheriting America from the Magna Carta, the English Bill of Rights, and England's unique contribution to the progress of liberty.

In 1779 Wythe was appointed to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

one of the three seats on the High Court of Chancery, a court which heard special cases involving complicated disputes in commerce and navigation.[18] Wythe also sat ex officio on the Court of Appeals, where he heard many memorable cases. A contemporary writer has described what Wythe's legal opinions were like:

> Not only was legal lore exhausted . . . but the "approved English poets and prose writers"—as he called them—and the more unfamiliar Latin and Greek authors, and even mathematical and natural sciences were quarries from which in concealed places he dug out his allusions and quotations. In the eight pages of one opinion with its footnotes, Bracton and Justinian, Juvenal's Satires, and Quintilian, Euclid, Archimedes and Hiero, hydrostatic experiments and Coke on Littleton, Tristram Shandy and Petronius, Halley and Price and Prometheus, Don Quixote and Swift's Tale of a Tub, Locke's Essay on Human Understanding, and Turkish travellers, chase one another up and down to the bewilderment of all but the universal scholar. All contemporaries stood in awe of his erudition, and referred to him as *the famous* judge.[19]

## For Fairness and Justice

Unlike many present-day judges, who pluck their decisions from the nebulous regions of "public policy" and popular opinion, Wythe based his decisions on past precedent and a close reading of the state constitution. In the *Commonwealth vs. Caton* case of 1782, Wythe wrote that "if the whole legislature, an event to be deprecated, should attempt to overlap the bounds, prescribed to them by the people, I, in administering the public justice of the country, will meet the united powers at my seat in this tribunal; and, pointing to the Constitution, will say to them, here is the limit of your authority; and hither shall you go, but no further."[20]

Such decisions earned for Wythe the title of "the American Aristides," an allusion to the ancient Athenian who was known for his fairness and justice.[21]

When the College of William and Mary was reorganized in 1779, Wythe was named "professor of law and police." The first professorship of law in the United States, it was antedated in the Anglo-Saxon world only by the Vinerian Chair at Oxford University, first occupied in 1758 by Sir William Blackstone.[22]

As a teacher, Wythe was as demanding as he was innovative. One account of what it was like to study under Wythe has been left by Littleton Waller Tazewell, who was later to become governor of Virginia. According to Tazewell, the student had to be in Wythe's study by sunrise. Before breakfast, Wythe would have the student translate passages from one of his Greek books without the aid of a Greek dictionary or gram-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mar. Wythe would then correct the student's work, and then send him home for breakfast. At midday the student would return for a similar exercise in Latin. The afternoon was taken up with the study of algebra and French, while the evening was devoted to English literature and current events.[23]

## Professor of Law

At William and Mary, Wythe used the lecture method, which was also being introduced at Princeton by another signer of the Declaration of Independence, Scottish preacher-patriot John Witherspoon.[24] Wythe's lectures included study of the United States Consitution, making him the first scholar in the United States to make American constitutional law the subject of regular instruction.[25] Wythe's study of jurisprudence prompted him to revive the practices of "readings" and "mootings," which had not been used at the famous English Inns of Courts since the 1600s. One of Wythe's students, John Brown of Staunton, who was later to become one of Kentucky's first two U.S. Senators, has left an account of Wythe's innovations:

> Mr. Wythe, ever attentive to the improvement of his pupils, founded two institutions for that purpose, the first in a Moot Court, held monthly or oftener in the place formerly occupied by the Gen. Court in the Capitol. Mr. Wythe and the other professors sit as judges. Our audience consists of the most respectable of the Citizens, before whom we plead causes given out by Mr. Wythe. Lawyer like I assure you. He has [also] formed us into a Legislative Body, consisting of about 40 members. Mr. Wythe is Speaker to the House and takes all possible pains to instruct us in the Rules of Parliament. We meet every Saturday and take under our consideration those Bills drawn up by the Committee appointed to revise the laws, then we debate and alter (I will not say amend) with the greatest freedom. I take an active part in these Institutions and hope thereby to rub off that natural bashfulness which at present is extremely prejudicial to me. These exercises serve not only as best amusement after severer studies, but are very useful and attended with many important advantages.[26]

Wythe encouraged his students to learn not only from Latin and Greek orators, but from contemporary speakers like Patrick Henry as well.[27]

Wythe's chief aim as an educator was to train his students for leadership. In a letter to his friend John Adams in 1785, Wythe wrote that his purpose was to "form such characters as may be fit to succeed those which have been ornamental and useful in the national councils of America."[28] The idea that education was to help young people "adjust to society" was as foreign to Wythe as was the idea that the government should clothe, feed, and house its citizens. "Mr. Wythe's School"—both in his study and in the Wren Building at the College of William and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Mary—produced a generation of lawyers, judges, ministers, teachers, and statesmen who helped fill the need for leadership in the young nation.

### The Constitutional Convention

In 1787 Wythe was chosen to be part of the Virginia delegation to the Constitutional Convention, joining what Jefferson called that "assembly of demigods." Indeed, the moral force of George Wythe's life alone is a cogent argument against Charles Beard's socialist interpretation of the Constitution.

Unfortunately, Wythe's beloved wife Elizabeth fell sick early in the summer. Dedicated patriot that he was, he knew that his first duty was to his family, and so, on June 4, Wythe left the convention and headed back to Williamsburg. Despite Wythe's best efforts, Elizabeth Taliaferro Wythe died on August 14, 1787.

His wife gone, and having no children, Wythe once again answered the call of duty and fought for the passage of the Federal Constitution at the Virginia State Convention. Wythe's prestige and influence, as well as the votes of five of his former students,[29] helped to overcome strong opposition from the Antifederalists, led by Patrick Henry. Later, Wythe helped to develop the Bill of Rights, basing his work on George Mason's Virginia Declaration of Rights.

Wythe left his teaching position in 1789 when the High Court of Chancery moved to Richmond, the new state capital. There, his brilliant career ended tragically in 1806. Wythe was poisoned by George Sweeney, a grand-nephew who lived with him. Hopelessly in debt, Sweeney had hoped to profit as the principal beneficiary under his uncle's will. Wythe lived on in agony for two weeks, long enough to both forgive and yet still disinherit his prodigal nephew. In one last act which showed his dedication to the principles of liberty, Wythe set his slaves free.

After Wythe's death, several attempts were made to try to convict Sweeney. All failed, however, because the only witness was a slave. Disinherited and dishonored, Sweeney soon left Virginia and was never heard from again.

All Virginia mourned the death of the great American Aristides. To Benjamin Rush, he was "A profound lawyer and able politician," a man who possessed "modesty" and "dove-like simplicity" and "gentleness of manner."[30] William Ellery had written years before: "Let Wythe take the laurels his genius demands. I ask but this boon: to be classed with his friends."[31] William Munford, whose education Wythe had graciously subsidized, named a son after him. But perhaps the mature Thomas Jefferson best summed up his old master's character when he wrote:

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

No man ever left behind him a character more venerated than George Wythe. His virtue was of the purest tint; his integrity inflexible and his justice exact; of warm patriotism, and, devoted as he was to liberty and the natural and equal rights of man, he might truly be called the Cato of his country, without the avarice of the Roman, for a more disinterested person never lived.[32]

George Wythe—a man "devoted to liberty"—still stands as one of America's greatest champions of freedom. His life is an example of what one man can do to advance the principles of liberty.

## REFERENCES


[1]William Munford, quoted in: Alonzo Thomas Dill, *George Wythe: Teacher of Liberty* (Williamsburg: Virginia Independence Bicentennial Commission, 1979), p. 43.

[2]Forrest McDonald, *The Formation of the American Republic* (Baltimore: Penguin Books, 1965), p. 158.

[3]The Rev. Andrew Burnaby, quoted in Dill, p. 7. I am indebted to Dill's *George Wythe: Teacher of Liberty, op. cit.*, ref. 1, for much of the information in this article.

[4]*Colonial Williamsburg Official Guidebook* (Williamsburg: The Colonial Williamsburg Foundation, 1972, 7th ed.), p. 90.

[5]Charles S. Sydnor, *American Revolutionaries in the Making* (New York: The Free Press, 1965), p. 51.

[6]Dill, p. 19.

[7]Dill, p. 42.

[8]Tucker later authored the first American textbook on jurisprudence. See Park Rouse, Jr., *Virginia: The English Heritage in America* (New York: Hastings House Pub., 1966), p. 108.

[9]Dill, p. 21.

[10]Jefferson, quoted in Saul K. Padover, ed., *Thomas Jefferson on Democracy* (New York: D. Appleton-Century Co., Inc., 1939), p. 91.

[11]Fawn Brodie, *Thomas Jefferson: An Intimate History* (New York: W. W. Norton and Co., Inc., 1974), p. 62.

[12]Jack P. Greene, *The Quest for Power* (New York: W. W. Norton and Co., 1972, first pub. in 1963 by the University of North Carolina Press) 528 pp.

[13]The mixed government theories are explained in detail in Gordon S. Wood, *The Creation of the American Republic, 1776–1787* (Chapel Hill: University of North Carolina Press, 1969), see esp. pp. 197–255.

[14]Dill, p. 28.

[15]Lyman H. Butterfield, *et al.*, eds., *Diary and Autobiography of John Adams*, 4 vols. (Cambridge, Mass., 1961), II, p. 230.

[16]Dill, p. 33.

[17]Edmund Burke, quoted in Wallace Notestein, *The English People on the Eve of Colonization* (New York: Harper and Row, 1954), p. ix.

[18]Dill, p. 41.

[19]Dill, p. 60.

[20]Dill, p. 62.

[21]John and Katherine Bakeless, *Signers of the Declaration* (Boston: Houghton Mifflin Co., 1969), p. 99.

[22]Dill, p. 42.

[23]Dill, pp. 55–56.

[24]Ashbel Green, "The Life of the Rev'd John Witherspoon, D.D., Ll.D., With a Brief Review of His Writings; and a Summary Estimate of His Character and Talents," MS, New Jersey Historical Society, Newark, N.J., n.d., p. 106.

[25]Dill, p. 43.

[26]Dill, pp. 44–51.

[27]Dill, p. 51.

[28]George Wythe to John Adams, Dec. 5, 1785, quoted in Oscar L. Shewmake, *The Honorable George Wythe* (n.p., 1954), p. 16.

[29]Forrest McDonald, *We the People: The Economic Origins of the Constitution* (Chicago, Ill.: University of Chicago Press, 1958), p. 259.

[30]Bakeless, p. 99.

[31]Dill, p. 31.

[32]Padover, p. 183.


LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

David Osterfeld

# The Increasing Abundance of Resources

OVER the last decade or so the public has been literally deluged with "scientific" studies and reports claiming that due to rapidly approaching resource exhaustion the world is on the threshold of catastrophe. The very influential *The Limits to Growth* was first published in 1972. Sponsored—but then disavowed—by the Club of Rome, an informal organization or, in the Club's own words, an "invisible college" founded to examine "the present and future predicament of mankind," the study concludes that civilization as we know it will "collapse" sometime "within the next century, at the latest." The collapse occurs, contends the study,

> because of nonrenewable resource depletion. The industrial capital stock grows to a level that requires an enormous input of resources. In the very process of that growth it depletes a large fraction of the resources available. As resource prices rise and mines are depleted, more and more capital must be invested for future growth. Finally investment cannot keep up with depreciation, and the industrial base collapses, taking with it the service and agricultural systems, which have become dependent on industrial inputs (such as fertilizers, pesticides, hospital laboratories, computers, and especially energy for mechanization). . . . Population finally decreases when the death rate is driven upward by lack of food and health services.[1]

The study acknowledges that the future is uncertain; that other "scenarios" are conceivable. "Is the future of the world system bound to be growth and then collapse into a dismal, depleted existence?" asks the study. "Only if we make the initial assumption that our present way of doing things will not

Dr. Osterfeld is Associate Professor of Political Science at St. Joseph's College, Rensselaer, Indiana.



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

change."[2] That is to say, "assuming that there will be in the future no great changes in human values nor in the functioning of the global system as it has operated for the last one hundred years" then the collapse *is* inevitable.[3] It can be averted only by replacing the relatively free market-growth oriented economy of today by that of a rigidly controlled zero-growth economy.

### The Global 2000 Report

The year 1980 marked the publication of *The Global 2000 Report to the President.* The *Report,* which is the joint product of the Council on Environmental Quality, the Department of State and eleven other government agencies, is only slightly less pessimistic than the *Limits to Growth.* In the section entitled "Major Findings and Conclusions" one finds the following:

> If present trends continue the world in 2000 will be more crowded, more polluted, less stable ecologically, and more vulnerable to disruption than the world we live in now. Serious stresses involving population, resources, and environment are clearly visible ahead. Despite greater material output, the world's people will be poorer in many ways than they are today.
>
> For hundreds of millions of the desperately poor, the outlook for food and other necessities of life will be no better. For many it will be worse. Barring revolutionary advances in technology, life for most people on earth will be more precarious in 2000 than it is now—unless the nations of the world act decisively to alter current trends.[4]

The fact that the major conclusions of *The Limits to Growth* are endorsed by the *Global 2000 Report* is significant.[5] Since *The Global 2000 Report* is the joint product of no less than 13 government agencies this means that the catastrophist position has received the government's official stamp of approval.

Not only is catastrophism the official position of the government, it is also the prevailing viewpoint—in fact usually the only viewpoint—found in either educational textbooks or the more popular press. For example, I pulled two textbooks off my shelf more or less at random. One was an introductory American Government text, the other a textbook on International Relations. Both were authored by scholars who are quite prominent in their respective fields. In the American Government text I found the following:

> Almost all energy resources are nonrenewable. So are most of the raw materials on which our civilization is based. . . . No estimate, however optimistic, has ever suggested that oil supplies will be around longer than a generation or two if anything like present consumption continues. . . . You will discover plenty of doom and gloom when you begin to examine the policy problems of energy and the environment.[6]

The textbook on International Re-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lations contained the following:

> There are *physical* limits to growth of both population and capital. . . . there is only a finite stock of exploitable, nonrenewable resources. . . . there is a finite amount of arable land; there exists a finite yield from this land. . . . Every additional human and every new item produced place demands on the earth's mineral resources; they also demand energy so that energy resources are being depleted even more rapidly.

". . . long before there is a 'collapse' of the world system as such," the authors conclude, "certain regions may suffer 'collapse'—possibly within the next 75 years."[7]

### The Global Mind

The same point of view permeates the popular press. The title of an article which appeared recently in the *Chicago Tribune* is self-explanatory: "Earth Headed for the Breaking Point."[8] The future, it says, will be characterized by increasing competition for "dwindling supplies of the Earth's resources," causing high inflation, massive unemployment and economic and social stagnation or even decline. These, in turn, will result in "famine, riot, insurrection and war," the consequences of which are placed on a par with nuclear war. Perhaps the catastrophist position received its most uncompromising statement in Lewis Perlman's *The Global Mind.* For Perlman there is no doubt that the earth is headed for collapse. The only questions are when it will occur and how severe it will be. According to Perlman:

> The severity of this potential decline cannot be underestimated; it boggles the mind. We are talking about the potential of up to *seven billion people,* or about twice the current population of the globe dying off in the span of one generation, and a drop in world economic production roughly equal to today's annual world output, occurring over the same span of time. All of the wars ever fought, all of the famines, all of the economic depressions in history, combined, shrink to insignificance when compared to the magnitude of such a global catastrophe.

Only "the establishment of a state of global equilibrium or the *stationary state . . . can save us from the* inexorable decline and fall." Some of the components of the stationary state, according to Perlman, are "zero growth in the stock of capital and zero growth in the stock of human population." Other components include the reduction of "resource consumption per unit of industrial output . . . to a fraction of its current value," a "vastly more equitable distribution of wealth and power among all people of the world," and a redefinition of wealth so as to be "represented less by *things* and more by *knowledge* and *experience,* by the aggregation of wisdom and love." The type of "ecotopia" recommended by Perlman would be rather

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

similar, he says, to that "suggested in (B.F. Skinner's) *Walden Two* and somewhat realized already in the People's Republic of China." It is clear, Perlman concludes, "that the longer we delay and the more lax we are in establishing the conditions for global equilibrium" the less chance we have for escaping the coming collapse.[9]

In brief, there is little doubt that catastrophism is today's prevailing orthodoxy.

## Catastrophism: Predictions and Realities

Of course catastrophism in one form or another is really nothing new. It can be traced back at least to 1798 with the publication of Thomas Malthus' *Essay on Population*. Since that time we have been fed a steady diet of catastrophist predictions of imminent disaster. The most revealing thing about these predictions is that they have never come true.

A brief review of oil prophecies from official government sources and their corresponding realities will give an indication of just how far wrong such predictions have been. In 1885 the U.S. Geological Survey stated that there was little or no chance for oil in California. Since that time over 8 billion barrels have been produced in that state. In 1891 the U.S. Geological Survey predicted that there was little or no chance of finding oil in either Kansas or Texas. At least 14 billion barrels have been produced in those two states since that prediction was made. In 1908 officials of the U.S. Geological Survey placed the maximum future supply of oil in this country at 22.5 billion barrels. Yet, 35 billion barrels have been produced in this country since that time with additional proven reserves of nearly 27 billion barrels.

The U.S. Bureau of Mines placed the total future oil production at 5.7 billion barrels in 1914. Some 34 billion barrels, or about six times this "maximum," have been produced in this country since then. In 1920 the Director of the U.S. Geological Survey stated that the U.S. needed to import foreign oil since peak domestic production had almost been reached. By 1950 U.S. oil consumption was four times greater than its 1920 output. Yet, we were not relying on imports as production was in excess of consumption.

In a similar vein, in 1931 the Secretary of the Interior was convinced that we were running out of oil and stated that we must begin to import as much foreign oil as possible. During the next eight years an additional eight billion barrels were discovered, making imports unnecessary. In 1939 the Department of Interior publicly stated that the U.S. would exhaust its oil supplies within the next 13 years. Shortly af-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ter this announcement new oil discoveries were made which, in themselves, exceeded the known supply in 1939. In 1947 the Chief of the Petroleum Division of the Department of State claimed that the U.S. was rapidly running out of oil. One year later, in 1948, 4.3 billion barrels were discovered. And in 1949 the Secretary of the Interior maintained that the end of the U.S. oil supply was in sight. Yet, over the next five years U.S. oil production increased by an excess of one million barrels a day.[10]

The predictions of the catastrophists have proven no better for other materials. For example, the U.S. President's Materials Policy Commission, better known as the Paley Report, stated in 1952 that by the mid-1970's copper production in this country could not exceed 800,000 tons. It was 1.7 million tons by 1973. Similarly, the Report placed lead production at a *maximum* of 300,000 tons. Yet by 1973 lead production was in excess of twice this figure.[11]

It is noteworthy that the predictions of today's catastrophists have proven no more accurate. In his dramatic 1969 article, "Eco-catastrophe," noted biologist Paul Ehrlich made his predictions for the decade of the 1970s. Among other things Ehrlich predicted (1) "increasing poverty" and world hunger. In fact, he said, "some ten to twenty million will starve to death this year (1969)"; (2) the rapid deterioration of the "raw material situation"; (3) the reduction of life expectancy to 42 years by 1970; (4) the "end of the ocean" by 1979, and (5) "the birth of the Midwestern desert," scheduled for the summer of 1973. It is, says Ehrlich, "a pretty grim scenario." Yet it is "based on projection of trends already appearing." "We're a long way into it already."[12]

Fortunately, events have turned out quite differently. First, the United Nation's Food and Agriculture Organization began collecting data on world food production in 1948. The data indicate that between 1948 and the present, *per capita* food output has increased by 40 percent, or just over one percent per year. And data compiled by the United States Department of Agriculture presents a picture even slightly rosier. In other words, in contrast to the catastrophist predictions of Ehrlich and others, both FAO and USDA data demonstrate that world food supply has consistently outstripped population increases. Put differently, the data clearly show that the world food situation is improving, not deteriorating.

Second, for at least the last 100 years, and probably even much longer, the prices of practically *all* minerals including coal, copper, iron, zinc, aluminum and even petroleum have fallen steadily and in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

**TABLE 1—RELATIVE PRICE OF IMPORTANT MINERALS TO LABOR, 1970 = 100**

| | 1900 | 1920 | 1940 | 1950 | 1960 | 1970 |
|---|---|---|---|---|---|---|
| Coal | 459 | 451 | 189 | 208 | 111 | 100 |
| Copper | 785 | 226 | 121 | 99 | 82 | 100 |
| Iron | 620 | 287 | 144 | 112 | 120 | 100 |
| Phosphorus | — | — | — | 130 | 120 | 100 |
| Molybdenum | — | — | — | 142 | 108 | 100 |
| Lead | 788 | 388 | 204 | 228 | 114 | 100 |
| Zinc | 794 | 400 | 272 | 256 | 126 | 100 |
| Sulphur | — | — | — | 215 | 145 | 100 |
| Aluminum | 3,150 | 859 | 287 | 166 | 134 | 100 |
| Gold | — | — | 595 | 258 | 143 | 100 |
| Crude Petroleum | 1,034 | 726 | 198 | 213 | 135 | 100 |

some cases dramatically. This is true whether one compares mineral prices to wages for labor, as is done in Table 1,[13] the consumer price index, or any other relevant index. This means that, in contrast to the much publicized predictions of Ehrlich and others regarding imminent resource depletion, the logical inference is that resources are actually becoming *less scarce* over time.

Third, instead of falling, as predicted by Ehrlich, life expectancy has continued to increase and currently stands at 73.2 years for the U.S. and 57.4 years for the world as a whole. This contrasts to 69.0 and 47.2 years, respectively, for the 1950–55 period. Fourth, not only are the oceans not dead, the world fish catch increased from 144.6 billion pounds in 1970, to 146.6 billion in 1975 and to 159.2 billion pounds in 1980.

Finally, as for Ehrlich's "Midwestern desert," I live in the Midwest and am able to see the fields from my own home. In case anyone is in doubt, I can attest to the fact that the Midwest is far from a desert

**TABLE 2: U.S. GASOLINE PRICES**

| | 1960 | 1965 | 1970 | 1973 | 1974 | 1976 | 1978 | 1979 |
|---|---|---|---|---|---|---|---|---|
| Gasoline Price (current) | 30¢ | 31¢ | 36¢ | 40¢ | 55¢ | 59¢ | 60¢ | 86¢ |
| Gasoline Price (constant 1972 dollars) | 44¢ | 42¢ | 39¢ | 38¢ | 47¢ | 44¢ | 41¢ | 52¢ |

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and no farmer I have talked to over the past several years has ever mentioned losing any sleep over the prospect.

### The Energy Crisis

Since the dramatic increase in oil prices during the decade of the 1970s spawned a plethora of scare stories about the imminent exhaustion of this vital nonrenewable resource, particularly close attention should be devoted to this issue. There were two major price surges in oil occurring in the 1970s, the first in 1974, the second in 1979. These are clearly evident in Table 2,[14] which shows the fluctuation of U.S. gasoline prices. An examination of the causes of the price hikes shows that both were largely a result of political factors and had nothing to do with increasing extraction costs due to the depletion of oil supplies.

What caused the rise of oil prices in 1974? The United States Federal Power Commission really first began to regulate the price of natural gas during the 1950s. This policy was to prove to have dire consequences not only domestically but internationally. As late as 1967 the regulated price for natural gas was 17 cents per thousand cubic feet (MCF), or less than half the world market price. The consequences should hardly be surprising. The artificially low cost to consumers encouraged increased consumption, while the artificially low returns to producers discouraged drilling. By 1966, the demand for natural gas began to exceed the supply. The result was that throughout the decade of the '70s the U.S. experienced periodic "shortages" of natural gas. But the significant fact is that these shortages were a result not of a depletion of natural gas reserves but were, in fact, artificial shortages generated by FPC imposed price controls.

The irony as well as the tragedy of the situation was highlighted by two events occurring almost simultaneously. On December 28, 1980, CBS's "60 Minutes" featured a story on America's "natural gas riches," which observed that the known supplies of natural gas were so large that "they could provide the long-term answer to our energy crisis." Yet, two weeks later, Edward King, the Governor of Massachusetts, was forced to declare a statewide emergency due to a severe shortage of natural gas.[15]

OPEC was founded in 1960 but was unable to exercise any leverage over oil prices until the early 1970s. The key question is why was OPEC unable to exercise any significant leverage over oil prices before—and for that matter after—the 1973–74 period? Richard Erb, the U.S. executive director at the International Monetary Fund, is surely correct

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

when he says that the power of OPEC was exaggerated. "Oil price increases," he points out "cannot be attributed to any single event or institution," but were the product of the "confluence of a number of trends that emerged during the postwar period." Some of the factors cited by Erb are the following:

1. Most of the current OPEC members were colonies of Western nations and did not receive their independence until the 1950s, 1960s, or even, as in the case of the United Arab Emirates, 1971.

2. Western military presence in the Persian Gulf and North Africa declined during the late sixties and early seventies.

These two factors enabled many OPEC governments to adopt a more independent, which usually meant an anti-Western, stance. For example, in 1970 Libya became the first OPEC country to seize control of foreign owned oil companies. Other members soon followed suit.

3. New oil discoveries during the 1950s and 1960s caused the world market price for oil to decline, which in turn stimulated an increase in demand for oil.

4. The world-wide economic boom of the early seventies further stimulated the demand for oil. This increased demand caused prices to begin to rise in September, 1973.

5. The second Arab-Israeli War in October, 1973 disrupted oil flows to the West and prompted some OPEC members to impose an embargo. The result was that with a world-wide demand for oil growing by about eight percent per year combined with a sudden decline in supply, oil prices skyrocketed.[16]

### The Effect of Price Controls

One factor ignored by Erb but certainly deserving of mention is the FPC controls on natural gas prices. Since oil can be substituted for natural gas, the effect of FPC policies which encouraged the consumption of energy while simultaneously discouraging the domestic production of it was to inadvertently play into the hands of OPEC by artificially stimulating our reliance on foreign energy sources in general and foreign oil in particular. According to economist Paul MacAvoy, who testified before Congress in 1976, price controls on natural gas increased the consumption of oil by nearly 2 million barrels per day. Today, according to Warren Brookes, the figure would be closer to 4 million barrels.[17]

Meanwhile, U.S. dependence on foreign energy sources increased from 9 percent in 1969 to 19 percent in 1973 and to nearly 26 percent by 1977.

While it is probably impossible to determine exactly how much FPC policies contributed to OPEC leverage over oil prices in the early sev-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

enties, its impact cannot be ignored.

In brief, the dramatic increases in oil prices during the early 1970s were in no way a result of a natural or *actual scarcity* of oil. One has merely to observe that while the *price* of Mideast oil rose to about $35.00 per barrel, its *cost* of production remained at between $0.05 and $0.15 per barrel. The price rises were largely the consequence of the confluence of political factors.

But what of the second round of price hikes occurring in 1979? Here the causes, while somewhat different, were likewise unrelated to actual scarcity. Perhaps the most interesting aspect of the 1979 price hikes is the relative insignificance of OPEC. The very success of OPEC was responsible for its waning influence in the post-1974 period. And this, of course, is precisely what economic theory would lead one to expect. The higher oil prices caused consumers to moderate their demand.

For example, prior to 1973 U.S. energy consumption was growing rapidly. In 1950 total U.S. consumption was 33.6 quadrillion Btu. By 1960 it had risen to 44.1 quadrillion Btu. In 1970 the figure stood at 66.8 quadrillion Btu, and at 74.6 quadrillion Btu in 1973, after which consumption moderated. The 1981 figures show consumption at 73.8 quadrillion Btu, slightly *less* than in 1973.[18] Consequently, energy imports, which reached nearly 26 percent of the U.S. supply in 1977, had fallen to 17.8 percent by 1981.[19] In a like vein, economic theory would predict that the higher profits enjoyed by OPEC members would encourage non-OPEC members to increase their production. Again, this is exactly what one finds. While OPEC's share of world oil production stood at 54 percent in 1973, it had fallen to less than 40 percent by the end of the decade.[20]

### Further Intervention

What, then, accounts for the dramatic jump in gasoline prices in 1979? In order to "fight inflation" President Nixon imposed general wage and price controls on August 15, 1971. In time the controls were lifted for nearly all products. But the fear was that, in the wake of the "OPEC revolution," lifting the controls on energy products would cause their prices to skyrocket. Since this would be politically unpalatable, controls remained in effect for oil, gasoline and other petroleum products. But using price controls to fight high prices is a lot like treating measles by covering up the spots: it deals with the symptoms, not the cause.

While the government could stipulate maximum prices at the domestic gasoline pump, it had no control over the market price of oil internationally. The consequence was that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the refiners and retailers were caught in a price squeeze. They had to purchase crude oil at the unregulated world market price but sell gasoline at the government controlled maximum price. The result is what is commonly, but incorrectly, known as the "gasoline crisis of 1979." The problem was not a scarcity of oil. There was an abundance of oil on the world market. The problem was how to purchase the crude oil at the world market price while selling gasoline and other petroleum products at the domestically regulated price.

### Deteriorating Service

The normal response to a profit squeeze created by the imposition of price controls is an attempt to lower costs, which usually means a deterioration in the quality of the product controlled. But since a gallon of gasoline is a gallon of gasoline, the effects of maximum gasoline prices were felt not on the physical product itself but on the "auxiliary services" associated with it. As economist Thomas Sowell has put it:

> Just as rent control tends to reduce such auxiliary services as maintenance, heat and hot water, so controlling the price of gasoline reduced such auxiliary services as hours of service at filling stations, credit card acceptance, and checking under the hood. . . . In New York City, for example, the average filling station was open 110 hours a week in September 1978 and only 27 hours a week in June 1979. The actual amount of gasoline pumped declined by only a few percentage points, while the hours of service declined by 75 percent. That is, filling stations tried to recoup their losses from price control by reducing the man hours of labor they paid for, while the motorists' losses of man-hours waiting in gasoline lines went up many times what the filling stations had saved. Moreover, the motorists suffered from increased risks in planning long distance trips, given the unpredictability of filling station hours en route. This prospective psychic loss to motorists was reflected in dramatically declining business at vacation resorts. . . .[21]

The government was forced to admit the failure of controls when later in the year it adopted a policy of partial decontrol. The result was an immediate spurt in gasoline prices. But it also signalled a return to more normal hours of operation for filling stations and, consequently, the abrupt end of the gasoline lines.

In brief, the fact that gasoline consumption during 1979 declined hardly at all meant that what occurred was not a "gasoline shortage" at all, but a *service shortage,* which was caused by nearly a decade of government price controls.

Despite the many catastrophist spawned scare stories that oil price rises during the seventies signalled the imminent depletion of oil supplies, both the 1974 and the 1979

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE 3: HOW "KNOWN RESERVES" ALTER

| Ore | Known Reserves in 1950 (1,000 Metric Tons) | Known Reserves in 1970 (1,000 Metric Tons) | Percentage Increase |
|---|---|---|---|
| Iron | 19,000,000 | 251,000,000 | 1,321 |
| Manganese | 500,000 | 635,000 | 27 |
| Chromite | 100,000 | 775,000 | 675 |
| Tungsten | 1,903 | 1,328 | −30 |
| Copper | 100,000 | 279,000 | 179 |
| Lead | 40,000 | 86,000 | 115 |
| Zinc | 70,000 | 113,000 | 61 |
| Tin | 6,000 | 6,600 | 10 |
| Bauxite | 1,400,000 | 5,300,000 | 279 |
| Potash | 5,000,000 | 118,000,000 | 2,360 |
| Phosphates | 26,000,000 | 1,178,000,000 | 4,430 |
| Oil | 75,000,000 | 455,000,000 | 507 |

SOURCE: Council on International Economic Policy, Executive Office of the President, *Special Report, Critical Imported Materials* (Washington, D.C.: U.S. Government Printing Office, December 1974).

price rises resulted from non-economic, largely political, factors which had nothing to do with the actual, or natural scarcity of oil.

### The Catastrophists and Chicken Little

The catastrophists are quite reminiscent of Chicken Little who, after being plunked on the head with a falling apple, spread panic among the barnyard animals with her irrational cry that the "sky was falling."[22] As soon as the price of an important natural resource begins to rise or the "known reserves" of a raw material begin to decline we are immediately met with the deafening refrain of "resource depletion."

We have, proclaims the Chicken Little Gang, reached the "end of affluence." We are, they loudly insist, at the dawn of the "age of scarcity." Yet, like Chicken Little, they never stop to consider the actual evidence. In the area of resources, such vital indicators as world per capita income, world per capita food consumption, raw material prices, and natural resource reserves, have not only improved over the past 200 years or so, but this trend shows no sign of abating. There are of course occasional setbacks just as there are particular countries that have shown little improvement. But these are explained, as we shall see, by factors that have nothing to do

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with "resource depletion." The crucial question is: how have the catastrophists gone so far wrong?

### Resources: Increasing Abundance

The most revealing *fact* about resources is that for over the past one hundred years their prices, in real terms, have fallen. This suggests that their supply is growing, not diminishing. And this, in fact, is the case. A study prepared for the President of the United States by the Council on International Economic Policy disclosed that the "known reserves" or stocks of eleven out of twelve important metals have, despite growing consumption, actually increased over the twenty year period from 1950–70. (See Table 3)[23] Iron reserves grew by 1,321 percent, Potash by 2,360 percent and Phosphates by 4,430 percent.

Similar conclusions were reached by Earl Cook. "Despite large increases in consumption over the past 40 years," Cook concludes, "we now have many more 'years' of lead reserves than we did 40 years ago, as well as about 25 percent more years of copper and zinc reserves. . . . There is currently an over-supply of both copper and crude oil in the world, and the supply of ores of iron and aluminum despite enormous increases in the production and consumption of both during the past 50 years, seem almost boundless."[24] Clearly, the *predictions* and *expectations* of the Chicken Little Gang are directly counter to the basic *facts* of the resource situation. But how is such a thing possible? Resource consumption has increased enormously during the twentieth century. How, then, can it be that our supply of resources, instead of diminishing, has actually expanded?

The catastrophist view of resources is *static*. There is, they believe, a fixed amount of oil, copper or natural gas, and the more of these stocks we consume, the less there is left. That the supply of resources is finite is a very plausible notion. It is also wrong.

Technological advances permit us to utilize existing resources more efficiently. For example, in 1900 the lowest grade of copper ore economically mineable was about 3.0 percent. Today, the cutoff point has fallen to 0.35 percent. Similarly, while much of the coal closest to the earth's surface has already been extracted, advances in mining technology have actually reduced the cost of obtaining coal despite having to go much deeper to extract it.

Aluminum is another example. Throughout the nineteenth century aluminum was a precious metal on a par with gold and silver. But with advances in technology aluminum can now be extracted from bauxite very cheaply. And since bauxite and other materials containing alumi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

num deposits are so plentiful, we are now in the fortunate position of possessing a valuable resource whose cost is relatively low and whose supply is virtually inexhaustible. And these examples are the rule rather than the exception. The reason the "known reserves" for resources have increased so phenomenally in recent years is that advances in science and technology have led to improved methods of mineral detection and extraction.

The results of these improved methods are as significant as they are astounding. Economist Wilfred Beckerman, using data supplied by the World Bank, has calculated that the stock of metals in the top mile of the earth's crust is sufficient "to last about one hundred million years." Herman Kahn and Associates have concluded that 99.9 percent of the world demand is for metals whose supply is either "clearly" or "probably inexhaustible." Very similar conclusions were reached by W. D. Nordhaus. "The clear evidence," he concludes, "is that the future will not be limited by sheer availability of important materials." This includes energy. "With only current technology" Nordhaus says, "there are resources for more than 8,000 years at the current rate of consumption." Allowing for technological advances during this time, "there is virtually unlimited energy available."[25] In short, the prospect of "resource depletion" is not a matter of decades, as the Chicken Little Gang would have us believe, but it lies hundreds, probably thousands of years in the future.

But even this prospect, distant as it is, is without foundation. For not merely does technology enable us to find and use existing resources more efficiently, it also enables us to create new resources by discovering uses for previously worthless materials. Oil is only the most dramatic example. Prior to the nineteenth century oil was a liability and land known to possess this slimy ooze was worth very little. It was only with the dawn of the machine age that oil became a resource.[26] But while technology creates resources, it must be borne in mind that technology itself is created by the human mind, which Julian Simon has aptly dubbed the ultimate resource. As Thomas Sowell has written,

> A natural resource is something occurring in nature that *we know how to use* for our purposes. Our knowledge is as integral to the concept of a natural resource as the physical thing itself. An inventory of natural resources two centuries ago would not have included uranium or hydroelectric power, because no one knew how to use such things. Once resources are seen in this light it no longer follows that there are fewer natural resources with the passing centuries.[27]

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

While the supply or stocks of given physical *materials* is, in some ultimate sense, finite, the "stock" of human knowledge is not. And this is the crux of the matter. Since the human mind creates resources, this means that the supply of resources is not finite but is limited only by the "stock" of knowledge. And since this "stock" has been increasing rather than running out, it should come as no surprise that the supply of "physical resources" has also been expanding. As one writer recently put it, to worry about running out of resources is very much like worrying that, because there is a finite number of musical notes, we are in danger of "running out" of music.[28]

### Governments, Markets, Poverty and Prosperity

The foregoing is merely meant to demonstrate that "resource depletion" is not limiting economic growth. It is not meant to imply that everything is splendid. There are of course many people and societies which continue to exist on the verge of starvation. While this is tragic, it has little to do with resources.

It is often forgotten that the developed countries of today were not always developed. Until only recently all nations were "undeveloped." It was only in the eighteenth century, in what is now termed the "Industrial Revolution," and only in a particular part of the world, in what is designated as the "West," that the standard of living began to rise above the subsistence level. Even today poverty is the rule for the great bulk of mankind, wealth the *exception*. Thus, the real question is not why most nations are poor but why some are wealthy. That is, what made possible the dramatic transformation of one small section of the world while conditions elsewhere remained practically unchanged?

Viewing the problem in this way permits us to see the fallacy in the popular notion that the reason Third World countries haven't developed is that they are too poor to save and invest. Not only was Europe even less developed in the seventeenth century than most Third World nations are today, but since at one time all nations were poor and since some nations succeeded in developing it is clear that poverty in itself cannot explain the lack of economic development.

Economic development is a very complex issue. But certainly a major element is the presence of an environment which affords the proper incentives for saving and investment, both domestic and foreign. Europe's environment offered a reasonably close correlation between individual effort and individual reward. In contrast is the environment in which tradition is highly valued, which views change and in-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

novation as evils, or an authoritarian environment in which individuals are used to allowing all important decisions to be made by a small group of leaders. Such environments discourage precisely those attitudes which are crucial for capital accumulation and development. As economist Peter Bauer points out, the environment

> has for centuries been less authoritarian in the west than in Africa and Asia and thus more conducive to experimentation, a questioning turn of mind and an interest in material advance. The subjection of the individual in Africa and Asia to political authority and to tradition has discouraged these qualities; and so has the greater prestige (compared with the West) of a life of contemplation compared to one of action. An authoritarian tradition is normally unfavorable to material progress in the sense of a rise in the standard of living, which require a liberation and modernization of the mind.[29]

In brief, what is required to overcome poverty and hunger is really quite simple: economic freedom. All the resources in the world will not produce economic growth in its absence. Conversely, the single most significant factor in perpetuating poverty is excessive regulation of individual behavior. While this may take the form of social custom, such as communal land tenure or the caste system in India, government regulation is no doubt more important.

For example, as everyone knows, post-war China has suffered from "overpopulation" and has taken rather extreme measures to reduce its growth. What is not so well known is that its population was growing by only two percent a year, which was actually *below* the world's average during this time. China's problem was that due to government mismanagement, food production between 1950 and the mid-1970s either remained stable or actually declined. It has only been since the death of Mao that the "socialist" experiment has been largely abandoned and agricultural output has increased.[30]

Elsewhere in the Third World government policies such as minimum wages, state-created monopolies, tariffs in excess of 100 percent, and widespread nationalizations, have frightened off investors, both domestic and foreign, thus impeding economic growth.

### Restrictions in Africa

United Nations data show that during the decade of the 1970s *per capita* food production increased for every single region of the world but one. That one was Africa, where per capita food production declined by 10 percent.[31] It is scarcely a coincidence that Africa has taxed and regulated its economy, and in particular its agricultural sector, more heavily than any other region

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

**TABLE 4: AVERAGE ANNUAL GROWTH OF GROSS DOMESTIC PRODUCT**

| | Private Sector Economies | | | Public Sector Economies | |
|---|---|---|---|---|---|
| | 1960–70 | 1970–79 | | 1960–70 | 1970–79 |
| Hong Kong | 10.0 | 9.4 | India | 3.4 | 3.4 |
| Singapore | 8.8 | 8.4 | Uruguay | 1.2 | 2.5 |
| Thailand | 8.2 | 7.7 | Ghana | 2.1 | −0.1 |
| South Korea | 8.6 | 10.3 | Chad | 0.5 | −0.2 |
| Ivory Coast | 8.0 | 6.7 | Zaire | 3.6 | −0.7 |

in the world. In order to stimulate industrialization, many African countries have introduced tax concessions, subsidies, tariffs, and licensing restrictions in order to "reduce the risks of investing in domestic manufacturing by protecting local industries from competition." "The cost of these programs," says Sara Berry, "was borne primarily by the agricultural sector." For many African countries taxes on agricultural output have become the prime source of revenue for government. In fact, "in many countries," says Berry, "farmers were required by law to sell their crops to state marketing boards, which paid them prices well below world market prices and used the difference as a form of public revenue." P.T. Bauer estimates that nearly one half of the commercial value of their crops has been withheld from the farmers in such states as Nigeria and Ghana. To make matters worse, thanks to the protection afforded domestic industries, prices for domestic goods, including tools and other products purchased by farmers, have risen significantly. Thus farmers faced the dilemma of confronting artificially inflated prices with artificially deflated incomes. Even though it may have been, as Berry puts it, "contrary to the expectations of the planners," it should hardly be surprising that these policies "failed to relieve shortages of food and foreign exchange . . . "[32]

Similarly official data show quite conclusively that the low tax and private sector oriented Third World countries have clearly outperformed the high tax and public oriented Third World countries.[33] (See Table 4) In fact, the growth of the low tax and market oriented countries has been so rapid that there are some who maintain that these "newly industrializing countries," or NICs, should no longer be considered as part of the Third World.

The superiority of the free market over the planned economy is also demonstrated by an examination of nutritional data. "Of all the socialist experiments" says Nick Eberstadt,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

**TABLE 5: 1979 PER CAPITA INCOME IN U.S. DOLLARS**

| | | | | |
|---|---|---|---|---|
| Market economy | Taiwan | $1,667 | W. Germany | $10,670 |
| Controlled economy | China | $ 576 | E. Germany | $ 6,318 |
| Market economy | S. Korea | $1,373 | Ivory Coast | $ 916 |
| Controlled economy | N. Korea | $ 750 | Ghana (Gold Coast) | $ 411 |

"only two provide evidence of nutritional results noticeably better than their non-Communist neighbors: Soviet Asia and Cuba." Yet, the neighbors lack heavy subsidies and can hardly be termed market oriented.[34]

Perhaps the easiest way to examine the performance of economic systems is simply to contrast the performance of several market oriented countries with the controlled economies of their neighboring or sister states. This is done in Table 5.[35] The results are dramatic and can hardly be attributed to accident or coincidence. In fact when Korea was partitioned in the early 1950s, North Korea possessed 95 percent of the industry. It was richer and much better fed. Today the reverse is true.

In brief, contrary to conventional wisdom poverty and hunger are closely correlated with government planning and regulation. Economic development and nutritional progress are correlated with economic freedom. In its comparison of the countries of the world on the basis of GNP per capita one finds this revealing comment in *The Book of World Rankings*: "It is significant that the top 20 countries are all free-market economies."[36]

## Conclusion

The widespread belief in the prospect of imminent resource depletion is unfounded. The supply of resources is actually expanding, not diminishing. While such maladies as poverty and hunger may in fact worsen in the future, the tragedy is that they are likely to be caused by the very thing the Chicken Little Gang sees as the solution to the mythical problem of resource depletion: more government controls and regulations.

## —FOOTNOTES—

[1]Donella Meadows, *et al.*, *The Limits to Growth* (New York: Universe Books, 1972), p. 125.

[2]*Ibid.*, pp. 227–228.

[3]*Ibid.*, p. 123.

[4]Council on Environmental Quality and the Department of State, *The Global 2000 Report to the President* (New York: Penguin Books, 1982), p. 1.

[5]The similarities should not be all that surprising since the authors of *The Limits to Growth* were also contributors to *The Global 2000 Report*. See Julian Simon, "Global Confusion, 1980: A hard look at the Global 2000 Report," *The Public Interest* (Winter 1981), pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

3–20, and especially p. 6.

[6]Robert Lineberry, *Government in America* (Boston: Little Brown, 1980), pp. 526–32. Actually, there were quite a few estimates that "suggested that oil supplies will be around longer than a generation or two . . . "

[7]Bruce Russett and Harvey Starr, *World Politics* (San Francisco: W.H. Freeman, 1981), pp. 533–67.

[8]Loretta McLaughlin, "Earth Headed for the Breaking Point," *Chicago Tribune* (Sunday, September 19, 1982), Section 2, pp. 1 and 2.

[9]Lewis Perlman, *The Global Mind* (New York: Mason/Charter, 1976), pp. 46–47 and 179–81.

[10]Presidential Energy Program, Hearings before the Subcommittee on Energy and Power of the Committee on Interstate and Foreign Commerce, House of Representatives (Washington, D.C.: U.S. Government Printing Office, February 17, 18, 20 and 21, 1975). Cited in Herman Kahn, *et al.*, *The Next 200 Years* (New York: William Morrow and Co., 1976), pp. 94–95.

[11]Kahn, *et al.*, p. 93.

[12]Paul Ehrlich, "Eco-Catastrophe," *Ramparts* (September 1969), pp. 24–27.

[13]The table is reprinted from William D. Nordhaus, "Resources as a Constraint on Growth," *American Economic Review* (May 1974), p. 24. Also see Julian Simon, *The Ultimate Resource* (Princeton: Princeton University Press, 1981), pp. 96–97 and 349–51 for a comparison of resource prices with the Consumer Price Index.

[14]Table 2 is reprinted from Warren Brookes, *The Economy in Mind* (New York: Universe Books, 1982), p. 134.

[15]*Ibid.*, p. 140.

[16]Richard D. Erb, "The Organization of Petroleum Exporting Countries Members and U.S. Policies." *The Annals of The American Academy of Political and Social Science* (March 1982), pp. 111–17.

[17]Brookes, p. 141.

[18]*U.S. Statistical Abstract, 1982–83* (Washington, D.C.: U.S. Government Printing Office, 1982), Table 972, p. 572.

[19]*Ibid.*

[20]Erb, p. 113.

[21]Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1980), p. 182.

[22]I am indebted to Chris Miller for calling my attention to the similarities between the contemporary catastrophists and Chicken Little.

[23]The Table is reprinted from Kahn, *et al.*, p. 92.

[24]Earl Cook, "Limits to Exploitation of Nonrenewable Resources," *Science* (February 1976), p. 678.

[25]Wilfred Beckerman, *Two Cheers for the Affluent Society* (New York: St. Martin's, 1975), p. 196; Kahn, *et al.*, p. 102: Nordhaus, pp. 24–25.

[26]Sowell, pp. 75–76.

[27]Thomas Sowell, "Second Thoughts about the Third World," *Harpers* (November 1983), p. 36.

[28]*Ibid.*

[29]Peter Bauer, *Dissent on Development* (Cambridge: Harvard University Press, 1972), pp. 529–30.

[30]Eric Preindel and Nick Eberstadt, "Paradoxes of Population," *Commentary* (August, 1982), p. 43.

[31]*World Statistics in Brief* (New York: UNESCO, 1980).

[32]See Sara Berry, "Economic Change in Contemporary Africa," *Africa*, eds. Phyllis Martin and Patrick O'Meara (Bloomington: Indiana University Press, 1977), p. 271. And Bauer, p. 413.

[33]Source: *World Development Report, 1981* (Washington, D.C.: World Bank, 1981), pp. 126–37. Also see the comparative country analysis in Helen Hughes, "Private Enterprise and Development," *Finance and Development* (March 1982), pp. 22–25. And Michael Novak, "Why Latin America is Poor," *The Atlantic Monthly* (March 1982), pp. 66–75.

[34]Nick Eberstadt, "Hunger and Ideology," *Commentary* (July 1981), p. 47.

[35]Source: compiled from *Economic Handbook of the World, 1981* (New York: McGraw-Hill, 1981), eds. Arthur Banks, *et al.*

[36]George Thomas Kurian, *The Book of World Rankings* (New York: Facts on File, 1979), p. 82.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

# Behind Enemy Lines

THE modern liberal, says Republican Congressman Mickey Edwards of Oklahoma in his *Behind Enemy Lines,* seems to care more about the environment than about the people who use it. The result is that the liberal sometimes "treats trees like people and people like trees."

In daring to take on the extreme environmentalists, Mickey Edwards has led a charmed political life. He comes from a section of Oklahoma that used to send Democrats to Washington, yet he wins with black votes even while serving as President of the American Conservative Union, which is against such things as busing and quotas. He doesn't think much of the way Congress has behaved for the past half-century—it has, he says, "created the mess we are in." The people, he observes, do not respect Congress—it is "one of the least trusted institutions in America." Yet, amazingly, the members of Congress are consistently re-elected.

How to explain it? Mickey Edwards does the best he can, by showing how the Congressional committee and sub-committee systems allow special interests to triumph over the general. It seems to be a matter of intensity—a broad public will have only a narrow individual pocketbook interest in opposing a particular bill, while the proponents, with much bigger individual sums at stake, will be ready to scratch and scrabble for it to the last inch. The cure for the troubles is education—and this is what Mickey Edwards' book is mostly about.

Ideas come first, in Mickey Edwards' observation—and before Congress can really change, "ideas must have form, substance." Rhetoric is not enough. So, in his section on "new directions," Mickey Edwards focuses on what is happening to crystallize opinion out in the country. He speaks of the Jarvis amendment (Proposition 13) which



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mandated a big cut in property taxes in California. The Jarvis amendment did not exist in a vacuum; it was only the latest in a series of events that included voter rejections of school bonds, library bonds, road bonds and new taxes. Congress has not yet decided to bite the bullet in turning to a "low tax, low spend" policy, but Mickey Edwards' account of the proselytizing efforts of the so-called Core Group in the House of Representatives (dubbed the "yellowjackets" by commentator David Broder) shows the way a new wind is blowing.

Mickey Edwards makes no hard-and-fast predictions, but he doubts that our present "pragmatism" will do for the 21st century. Our debates, he says, "do not call for adding machines, computer printouts and econometric models; they call for passion, for commitment, for principles, for vision." We need more than a Congress obsessed "with instant, simple solutions . . . regulating the design of toilet seats, for example."

### The Common Situs Bill

In fighting the institutional breakdown in Congress, Mickey Edwards and his friends have won some unexpected victories. Big Labor, as represented by the AFL-CIO, has yet to recover from the defeat of the so-called common situs bill in the 95th Congress. If common situs had won, the labor unions would have been able to extend a strike against a single contractor to a walk-out involving all unions on a given job. The unions would have gained the right to maintain "secondary boycotts." The conventional expectation was that union campaign payoffs to Congressional members in the 1976 elections had been sufficient to insure a thumping victory for common situs. But with John Ashbrook of Ohio leading the fight, the conservatives persisted in what they thought was a hopeless rearguard action.

Edwards is both graphic and amusing in his story of the meetings in John Ashbrook's office. Ashbrook was a newspaper publisher who never threw any printed matter away. They called him "Trashbrook." The piles of papers on the "floors, chairs, laps and in the aisles" of his office in the old Longworth building had the conservatives huddling in corners. But if "Trashbrook's" room was cluttered, his mind was uncommonly clear. The object was to present a bill with few amendments to the Senate, where freshman Orrin Hatch of Utah might conduct a filibuster that would prevent final passage. Curiously enough, however, a final House version was defeated on the floor. As Ashbrook and Edwards watched the electronic tallyboard they could hardly believe their eyes. The Big Labor juggernaut had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

failed.

John Ashbrook is now dead from a heart attack incurred while he was running for the Senate. Other players in the battle—Ron Sarasin of Connecticut, Al Quie of Minnesota—are no longer in Congress. But the labor supporters of the bill have never been able to regroup. Their long-time dismay is what led to the AFL-CIO's preconvention endorsement of Walter Mondale for President, a sign of desperate resolve to restore their old domination of Capitol Hill. The desperation tactic has probably hurt Mondale more than it has helped—people with a growing suspicion of government do not like to be treated as a complaisant monolith.

### Playing Politics

In telling about life in Congress Mickey Edwards is willing to admit there must be quarrels between a man's innermost philosophical convictions and his need, as a "small-d" democrat, to represent the people in his district back home. In 1979 the Senate needed funds to complete the magnificent new office building—the Taj Mahal—which it had, with the help of the House, voted itself. Edwards, with Steve Symms of Idaho, opposed the more lavish features of the proposed Senatorial marble palace. With bad blood existing between Senate and House, Mickey Edwards promised to be waiting for the Senate to revive its demand for Taj Mahal money. But when the bill finally came back he didn't have a word to say.

What had happened was that the Senate request for office building funds had been made part of a catch-all appropriations bill. With two Oklahoma water projects pending in the Senate, Edwards did not dare risk the displeasure of his constituents by opposing the catch-all legislation. "I kept quiet," he says, "and let others fight—a classic example of the way expedience takes precedence over principle."

Maybe the answer would be to outlaw the device of the catch-all bill. This would be a Congressional equivalent of the line-item veto which the President would like to have. But Mickey Edwards is against the line-item veto on the ground that it might give too much power to the Executive branch. His feeling is that Congress should be jealous of its powers, which presumably include the ability to save time by turning to catch-all legislation.

In all, *Behind Enemy Lines* is a most instructive book. It is civics as it is practiced, not as it is imagined in theoretical works.

Copies of *Behind Enemy Lines* are available at $15.55 from Mickey Edwards, 10319 Yellow Pine Drive, Vienna, VA 22180

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

## FROM BRETTON WOODS TO WORLD INFLATION: A STUDY OF CAUSES AND CONSEQUENCES

by Henry Hazlitt
(Regnery Gateway, 360 West Superior Street, Chicago, Illinois 60610)
182 pages ■ $10.95 cloth

*Reviewed by Bettina Bien Greaves*

FROM July 1–22, 1944, the world's most renowned monetary authorities convened at the huge old-fashioned hotel in Bretton Woods, New Hampshire. World War II was not yet over. Nevertheless, the Allied politicos were meeting to try to work out arrangements for post-war monetary reform.

The world "authority" on money in 1944 was the Englishman, John Maynard Keynes. About a year earlier, Keynes' proposals for an International Clearing Union had appeared. In one of those papers Keynes, a long-time advocate of inflationism, had recommended credit expansion on an international level. As he put it, he wanted to repeat through worldwide credit expansion "the same miracle, already performed in the domestic field, of turning a stone into bread." And this inflationist proposal of Keynes became the working blueprint for the Bretton Woods Agreements.

From 1934 to 1944, Henry Hazlitt was writing most of the economic editorials for the prestigious *New York Times*. Most of his editorials dealing with the Bretton Woods Conference and the Agreements that ensued have now been collected in this small volume. Each treats with some specific development relating to the Bretton Woods Agreements. These 23 short editorials written as commentaries on daily events, arranged here in sequence and combined with added materials, make a remarkably unified and consistent analysis. Mr. Hazlitt's later comments on the "economic consequences" of Bretton Woods, written in 1967, 1969, 1971, together with the 1983 introduction and epilogue, "What Must We Do Now?" make the book pertinent to today's readers.

When these editorials appeared, Mr. Hazlitt had yet to write his best selling *Economics in One Lesson* (1946) and his devastating critique of Mr. Keynes, *The Failure of the "New Economics"* (1959)*. Yet Mr. Hazlitt brought to *The New York Times* editorial page his firm understanding of economic principles and of the need for an international gold standard to avoid inflation and credit expansion.

The first five editorials were written prior to the Bretton Woods Conference and dealt with the proposals to be discussed. A basic assumption of the participants was the widespread fallacy that a nation's cur-

*Both available from FEE in paperback, $4.95 and $15.00 respectively.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

rency if "allowed to drift would finally 'seek its own natural level'." Mr. Hazlitt pointed out that if a national currency was to maintain its value, it must be redeemable in gold, or some other real commodity. Otherwise, its "natural level" would become "precisely what governmental policies in the long run tend to make it. There is no more a 'natural value' for an irredeemable currency than there is for a promissory note of a person of uncertain intentions to pay an undisclosed sum at an unspecified date" (p. 32).

Mr. Hazlitt's editorial on the opening day of the Conference asserted:

> The most important contribution that this country could make to world currency stability would be to declare unequivocally its determination to stabilize its own currency. It could do this by announcing its determination to balance its budget at the earliest practicable moment after the war, and by announcing that the dollar would no longer be on a "twenty-four" hour basis, and subject to every rumor, but firmly anchored to a fixed quantity of gold. (pp. 48–49)

This recommendation was ignored. The participants at Bretton Woods proceeded to establish the International Monetary Fund, which called for complex government controls and regulations in the vain attempt to promote international monetary stability and cooperation. Yet, as Mr. Hazlitt pointed out:

> In the economic field, on the contrary, true international cooperation means the termination of such governmental controls, which are invariably conducted in the interests of political pressure groups, and the return to a world in which men are free to trade and produce at the prices fixed by supply and demand and competitive efficiency. (p. 67)

Almost all news commentators of that day were praising the Bretton Woods Conference as a wonderful example of international cooperation. As Mr. Hazlitt was writing economic editorials about the Conference, *The New York Times* management asked if he would like to cover it in person. Mr. Hazlitt turned the offer down; he said he could read in the office about what they were doing and criticize it "much better not being there. . . . I can also write on other subjects." So the matter was dropped.

However, even after it was announced that 43 governments had signed the Bretton Woods Agreements, Mr. Hazlitt continued to oppose them. His editorials in *The Times,* Mr. Hazlitt said in a recent interview, "were the only sour note." Mr. Arthur Hays Sulzberger, then President and Director of *The New York Times* came to Mr. Hazlitt at that point and told him that, with almost the entire world in favor of the Agreements, they could not continue to oppose them editorially. "All right," Mr. Hazlitt said, "if

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

you want, but in that case I can't write anything further about Bretton Woods. This is just an inflationist scheme that is going to end badly and I can't support it."

A couple of years later, when Mr. Hazlitt began writing a weekly column for *The Times'* financial page, he again had occasion to comment on the outcome of the Bretton Woods Conference and again he criticized it. Mr. Sulzberger then suggested to Mr. Hazlitt that a disclaimer appear below his columns saying that "the opinions of Mr. Hazlitt are not necessarily those of *The New York Times*." When Mr. Hazlitt pointed out that this would imply *Times* endorsement of all its other columns, Mr. Sulzberger reneged. However, Mr. Hazlitt soon left *The Times* for *Newsweek*. When *The New York Times* lost Henry Hazlitt as an economic editorial writer, it lost one voice of sanity.

To indicate the decline in the understanding of economic principles since Bretton Woods, among spokesmen for the "establishment," Mr. Hazlitt cites recent statements in favor of the International Monetary Fund from *The New York Times*, *The Wall Street Journal* and Secretary of the Treasury Donald Regan. Very few people realized then, and very few realize now, the danger inherent in the IMF's provision making the U.S. dollar, itself being inflated, the basis for all other national currencies. Because little disgrace or difficulty attached to inflating and devaluing under the IMF provisions, inflations and devaluations of national currencies became rampant worldwide. As Mr. Hazlitt had pointed out, the "natural value" of an inconvertible national currency soon becomes "precisely what government policies in the long run tend to make it."

The Special Drawing Rights (SDRs), created in 1970, were one more attempt on the part of the IMF to turn stones into bread by expanding the world's credit money. After that, it was not long before our government's stock of gold had declined so much that President Nixon was forced, on August 15, 1971, to "close the gold window," i.e. to stop redeeming in gold U.S. dollars in the hands of other governments and government central banks. As Mr. Hazlitt writes:

> No single nation's currency could long be expected to hold up the value of all the currencies of the world. Even if the United States had itself pursued a far less inflationary policy in the twenty-seven years from 1944 to 1971, it could not be expected indefinitely to subsidize, through the IMF, the International Bank, and gold conversion, the inflations of other countries. The world dollar-exchange system was inherently brittle, and it broke. (pp. 18–19)

Mr. Hazlitt's words were borne out; the U.S. dollar proved a pretty slim

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

reed on which to erect a world monetary system.

The International Monetary Fund has fostered worldwide inflation; it has subsidized socialist programs in countries that inflated more, at the expense of those that inflated less; and it "is now using its loans as leverage to force the extension of old and the making of new private loans" (p. 20). Thus, Bretton Woods, especially the IMF, must be held responsible also for the current world debt crisis.

The International Monetary Fund and the International Bank for Reconstruction and Development (the World Bank), both offsprings of the 1944 Bretton Woods Conference, were/are costly institutions and in time must prove untenable. It is good now to have in print Mr. Hazlitt's explanations of the reasons.

Incidentally, anyone seeking to use the index of this book should be warned that it is seriously botched; most of the page numbers are four digits too low.

*Reprints available . . .*

## A Page on Freedom

Each of these brief messages is a handy way to share with friends, teachers, editors, clergymen and others a thought-starter on liberty. It also serves to introduce the reader to our work at FEE.

See page 323 for this month's *Page on Freedom.* (Copies of previous messages are also available; specify title when ordering.) Small quantities, no charge; 100 or more, 5 cents each. Or, feel free to reprint the message in your own format if you'd prefer.

We hope you'll enjoy this new feature!

*Order from:*
FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

## IDEAS HAVE CONSEQUENCES

Any idea becomes our own as we are exposed to it and accept it and practice it and can explain it to friends—all done without coercion.

This pretty well describes the activities of FEE—seeking, practicing, sharing ideas on liberty, that liberty which Lord Acton identified as "the assurance that every man shall be protected in doing what he believes his duty against the influence of authority and majorities, custom and opinion." If you'd care to join in pursuit of such ideas and ideals, just use the form below to reserve your place on **The Freeman** mailing list.

If you're already on the mailing list, but have a new address, please use this form to let us know of the change and to minimize any delays in delivery.

---

Sorry, this is not a mailing card; please enclose in a stamped envelope.

**THE FOUNDATION FOR ECONOMIC EDUCATION**
**IRVINGTON-ON-HUDSON, NEW YORK 10533**

☐ Please add my name to receive THE FREEMAN, 64-page monthly study journal of free market, private property, limited government ideas and ideals, plus NOTES FROM FEE, a 4-pager devoted to libertarian methods, issued every other month.

☐ I'm already on your mailing list, but have a new address, as below.

Name _____ (Please print)

Street _____

City _____ State _____

Zip Code _____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

JUNE 1984


Private Ownership—
A Page on Freedom, No. 7 ..... Robert G. Anderson 323

Capitalism versus Comte ..... Ernest G. Ross 324

Freedom and Democracy ..... John Hospers 331

The Davis-Bacon Act..... Hans F. Sennholz 345

George Wythe of Williamsburg .. Robert A. Peterson 352

The Increasing Abundance of
Resources ..... David Osterfeld 360

BOOKS:
Behind Enemy Lines..... John Chamberlain 378

Other Books ..... 381



**THE FOUNDATION FOR ECONOMIC EDUCATION, INC.**
30 South Broadway
Irvington-on-Hudson, New York
10533

Non-profit organization
U.S. POSTAGE
PAID
Foundation for
Economic Education, Inc.


MR. RICHARD G. NEAL
3701 S.GEO.MASON DR., 1715N
FALLS CHURCH VA 22041


LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED